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Foreign Exchange and a Financial Glossary

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NOTES ON

FOREIGN EXCHANGE

AND A GLOSSARY OF

FINANCIAL TERMS

BY

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ETC.

PUBLISHED BY

THE SHAW CORRESPONDENCE SCHOOL

TORONTO - - CANADA

PREFACE

Although there are many excellent books on the subject of Foreign Exchange, few have been written for beginners explaining the essential principles of the science in simple language and with suitable illustrations, and none have been written from a Canadian standpoint.

The first eight chapters of this book were originally written for private circulation among students preparing for the Associates' Course of the Canadian Bankers' Association, and under the title of "Foreign Exchange Arithmetic" gained the approval both of students and of university authorities. The present volume, containing additional chapters, tables and a glossary, is the response to the encouragement and the suggestions received. It is not intended as a comprehensive treatise on the subject, and little or no attempt has been made at continuity of treatment, but practically every phase of Foreign Exchange has been dealt with. It is hoped that it will prove a helpful book for the beginner and a useful companion to the advanced student in his study of larger and more theoretical works on the subject.

In a book of this kind, containing, as it does, numerous calculations, mistakes are unavoidable, and the writer would greatly appreciate having his attention called to any errors or misprints.

E. L. STEWART PATTERSON.

Sherbrooke, Que.

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NOTES ON FOREIGN EXCHANGE

CHAPTER I.

INTRODUCTORY

A man ought to know the measures, weights, and monies of all foreign countries, especially where we have trade, and the monies not only by their several denominations but also by their intrinsique values in weight and fineness compared with the standard of the Kingdom, without which he cannot well direct his affairs.—Thomas Mun, "England's Treasure by Foreign Trade." Circ. 1635.

DEFINITION

1. *Definition.*—Before taking up the study of foreign exchange it is advisable to have at least an elementary knowledge of the principles on which exchange is based.

Exchange may be defined as the method or system by which the payment of an obligation in one place is accomplished by the transfer of credit from another. Exchange operations therefore are based on intercancellations of indebtedness, thus discharging obligations without the transference of actual money: i.e., gold or its equivalent.

Exchange is generally considered under two headings, **inland** or domestic and **foreign exchange**. The former, however, is so generally understood and so simple in its operation that it is seldom or never referred to in text books on exchange except incidentally. This is a mistake, as it has a tendency to create an impression that foreign exchange itself is a complex and highly technical subject. Such is not the case. The basic principles governing inland and foreign exchange are the same, and there is nothing mysterious or difficult in either, the operations in both being based on the **weight** and **fineness** (or degree of purity) of the **gold** in the monetary units of the countries involved. There are of course certain operations in international exchange which call for a highly specialized knowledge, not only of exchange, but also of economics and finance. These transactions, however, stand in a class by themselves and need not be considered here.

GOLD THE STANDARD

2. *Gold the Standard.*—A reference to the chapter on "Barter and Exchange" in any text book on economics will show how gold gradually became the standard or common denominator of value in all civilized countries, and that each country adopted as its monetary unit a coin containing an unvarying weight of fine gold. Comparison between the coins of any two countries is therefore a matter of simple arithmetic, namely that of dividing the amount of fine gold contained in the monetary unit of one country into the amount of fine gold contained in the unit of the other. It must be remembered in this connection that equal weights of gold, whether in coin or bullion, are given or taken in exchange for each other the world over.

Canada, for instance, has adopted for its monetary unit the gold dollar weighing 25.8 grains, 9/10th fine, or containing 23.22 grains of fine gold and 2.58 grains of alloy. The value of the alloy is never taken into consideration, its purpose being to harden the coin, for if gold alone were used the coin would be too soft to stand the wear and tear of circulation.

The monetary unit of **Great Britain** is the sovereign, weighing 123.27447 grains, 11/12th fine, or containing 113.0016 grains of fine gold. To compare these two units, divide the weight of **fine gold** in a sovereign by the weight of **fine gold** in a dollar (113.0016÷23.22) and you will get $4.86656 as the number of dollars contained in a pound sterling. Reverse the operation and you will get 49.316 pence, as the number of pence contained in a dollar. It is an unvarying principle among civilized nations that the monetary unit shall have an intrinsic value equal to the value stamped upon it. Melt down a sovereign and you will have a sovereign's worth of gold, in the same way the gold in the dollar is worth exactly one dollar.

In Canada, therefore, the value of everything we buy and sell is reckoned in gold dollars, or, in other words, in fractions or in multiples of 23.22 grains of fine gold.* As a matter of convenience, however, we

*If Brown in Toronto owes Smith in Winnipeg $100 he pays $100.25 to his bank in Toronto in order that Smith may receive $100 in gold or its equivalent in Winnipeg. As a matter of interest we will work the transaction out in terms of gold.

Brown pays 2327.805 grains of fine gold (2322. grains plus 23.22÷4 grains commission) in order that Smith may receive 2322. grains of fine gold in Winnipeg. Now, if we divide 2322 and 2327.805 grains by 23.22 grains, the amount of fine gold in the dollar, we get our original $100 and $100.25.

Similarly, in sterling exchange, if a draft costs, for instance, one cent per pound over par, we pay $4.87 2/3 per pound sterling, or, worked out in grains of

use but little gold in our business transactions in this country, its place being taken by legal tender notes and bank notes. These are simply printed contracts issued by the Government and by the banks, redeemable in gold dollars at the will of the holder.

The various monetary standards of the world are explained elsewhere, and this brief reference is made to them to emphasize the fact that the first and most important thing to learn about exchange is that the foundation of all exchange transactions is based on the *fine gold contents of the different coins chosen as monetary units.*

TRANSFER OF FUNDS

3. *Transfer of Funds.*—The next important factor to consider in exchange operations is the expense of transferring gold from one point to another. This consists of:

1. Carriage.
2. Interest on the amount while in transit.
3. Risk.

The very general use of bills of exchange as a medium for transferring funds has caused this factor of expense to be more or less lost sight of, except when conditions call for the actual shipment of gold. It is, however, latent in every exchange transaction, though it may be modified or even offset by other factors such as the law of supply and demand, the balance of trade, competition, etc.

Every school boy in Canada knows that to send money from one part of Canada to another costs something, whether the money itself is shipped direct or a bank draft purchased for the amount, the charge varying according to distance, competition, etc. The operation is simple, and the reason for the charge is obvious. The charge for a similar remittance from a Canadian town to or from a town in the United States is equally comprehensible, the only difference in the conditions being the existence of a boundary line between the two countries. The first transaction is one in **inland exchange**, but the second is an operation in **foreign exchange** just as much as if it had been a remittance to

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gold, we add one cent's worth of gold, or .2322 grains, to 113.0016 (the weight of fine gold in the sovereign), and get 113.2338 grains, which, divided by 23.22 grains, gives us \$4.87656, or one cent over par.

If 4.85 is quoted, or $1\frac{2}{3}$ cents lower than par, we deduct .3870 grains ($.2322 \times 1\frac{2}{3}$) from 113.0016 and obtain 112.6146 grains, which is paid in Toronto in order to deliver 113.0016 grains of pure gold in London. Divide the former by 23.22 and we get \$4.85, the required rate. All exchange quotations will work out on the above basis.

France or Germany. One operation is as easily understood as the other, and yet foreign exchange is considered difficult! In this case the same monetary unit is employed in the United States and in Canada, a gold dollar 23.22 grains fine, hence the simplicity of the transaction.

With this example before us of the similarity between inland and foreign exchange we think that we can establish the following principles:

1. That if all the countries of the world adopted the gold dollar 23.22 grains fine as their monetary unit, foreign exchange would be elementary in its simplicity.
2. That the names of the coins are immaterial so long as their fin gold content is the same.

   (For instance, if we had an English "dollar" unit 23.22 grains fine it could be called the sovereign and the French "dollar" unit the franc, and so on, without affecting the situation.)
3. That foreign exchange would still be very easy if the gold contents of the monetary units were exact multiples or sub-multiples of each other.

   (If the sovereign contained exactly five times as much gold as the dollar and the dollar five times as much as the franc, and so on, it would be as simple as a universal unit.)*

SIMILARITY BETWEEN INLAND AND FOREIGN EXCHANGE

4. *Similarity Between Inland and Foreign Exchange.*—Now, if the above principles are conceded we should have no difficulty in dealing with the irregular weights f the monetary units in actual use, as the only difficulty presented is the fact that the arithmetic cannot be done mentally, but must be worked out. That is all the difference, and we can all do long division.

If foreign exchange is studied from this point of view, there should be no difficulty found in understanding its operations, especially after the explanations given hereafter are fully mastered.

REVIEW

5. *Review.*—The question naturally arises, "If exchange is so simple why are all these explanations necessar ?" They are not necessary if you wish only to learn the mechanical working of exchange without knowing the reason for what you do. We can do all kinds of things in

*The British sovereign is not quite five time the value of the dollar by 13.3 cents, or 3.096 grains of fine gold, and the fr to be 1/5 of the dollar would have to be increased by 7/10 of a cent, or .164 grains of gold.

these days with electricity, for instance, and do them well, simply by inserting plugs or pressing buttons, but if we wish to be electricians we must learn how the current is created, its nature and its application. Similarly, with exchange tables, we can work out almost any exchange transaction providing the rate is *already made* for us, but if we want eventually to become expert bankers and cambists we must be able to make our own tools occasionally, able for instance to compute a 60 or 90 day rate from a demand quotation; we should also know something about the factors which influence the fluctuations in rates and about the commercial laws and observances of the different countries. If, however, this intelligent knowledge is not aimed at, common sense and a working knowledge of multiplication and division will be found sufficient with the assistance of the following tabloid rules:

1. All operations in exchange are based on the weight and fineness of the metals contained in the monetary units of the countries involved.
2. The rate of exchange between two countries is fixed by the country which draws and negotiates the bills.
3. All exchange rates in North America are quoted in cents per foreign unit.

Special quotations:

A. German exchange—cents per four marks.

B. French exchange—francs per dollar.

Conversions with cent quotations.

(a) *Amount in foreign currency = Amount in dollars ÷ Rate in cents.*
(b) *Amount in dollars = Amount in foreign exchange × Rate.*
*Buy low, sell high, the better the bill the higher the rate.

Conversions with franc quotations.

(a) *Amount in francs = Rate in francs × Amount in dollars.*
(b) *Amount in dollars = Amount in francs ÷ Rate in dollars.*
*Buy high, sell low, the better the bill the lower the rate.

ILLUSTRATIONS

6. *Illustrations.*—Mr. Hartley Withers in his "*Money Changing*" gives such a clear and interesting explanation of foreign exchange that he is well worth quoting in full:

The bill, or order to pay money in a foreign centre, is thus the commodity that is actually bought and sold by dealers in foreign exchange, but it is better for the moment to leave bills out of consideration. They are only the tangible expression of the claim for money in another centre, and at this early stage of our enquiry it is better to keep our minds fixed on what is at the back of the bill, namely, the money in a foreign centre to which it gives its holder a claim. The French buyer of a bill on London buys it, as a rule, because by sending it to his English correspondent he can discharge a debt to him in English money. What he really buys with his francs is so many English pounds, and the labyrinth of the foreign exchanges is much easier to thread if, before we complicate the question by talking about bills, we keep our eye on the comparatively simple problem which is the key to the puzzle, namely, the exchange of one country's money for another's.

*See Note, Page 20.

Thus stripped to its naked simplicity, the problem begins to look as if it were not a problem at all, and a critical inquirer may be excused for thinking that at least in the case of countries that use currency based on the same metal there ought to be no need for daily quotations of rates of exchange, because the relative value of their monies ought to be constant. It is a natural question to ask, why should there be these daily fluctuations, and since they are evidently there, what is the sense or purport of them? The answer is, that money in France and money in England are two different things, and the relative value of any two different things is almost certain to fluctuate. Quite apart from any differences in the fineness of gold coined by two different countries, or the ease or difficulty with which a credit instrument can be turned into gold, mere distance is quite enough to make the difference that will create fluctuation in price. New York and Chicago use exactly the same currencies, but money in New York differs from money in Chicago by being nearly a thousand miles away, and consequently there are frequent variations in their relative value. The English and Australian sovereigns are identical in weight and fineness, but there is constant fluctuation in the buying power of the English sovereign as expressed in its brother that is circulating in the Antipodes.

These fluctuations are based on the same influence that sways the movements in the prices of all goods and services that are bought and sold, that is, the influence of supply and demand. Just as the price of boots, Consols, medical advice, football professionals, or anything else that can be the subject of a bargain, will depend in the end on the number of people who want to buy them compared with that of those who want to sell them, at or near a certain figure, so the price of English pounds, when expressed in francs, guilders, milreis, or Australian sovereigns, depends on the number of people abroad who have to buy money in England as compared with the number of those who have money in England to sell. People abroad have to buy money in England when they owe money to Englishmen and want to pay it; and they have money in England to sell when Englishmen owe them money.

Jacques Bonhomme in Paris has been selling shiploads of Christmas kickshaws to John Robinson in London, and so has thousands of English pounds due to him by the said Robinson. But English pounds, as such, are not wanted by M. Bonhomme. He wants to sell them, to turn them into francs, the currency of his own country, with which he makes his daily payments at home. On the other hand, there are always plenty of Frenchmen who have imported English goods or have had services rendered by English bankers, or shipowners, or insurance companies, and so want to buy English money wherewith to pay their English creditors. So it follows that the price that M. Bonhomme will get for his English pounds will depend on the value of goods and services that other Frenchmen have been selling in England, so producing English pounds to be sold in Paris, as compared with the value of the claims that have to be met in London, for the satisfaction of which English pounds have to be bought. If the amount of English money on offer is bigger than the amount wanted, down will go the price of the English pound as expressed in francs, and the seller will get less in francs for his pound. If the amount of English money wanted is the bigger, the price will go up, and the seller will get more for his pound. When the price goes down the exchange is said to move against London, because there is a depreciation in the value of the sovereign as expressed in francs: when it goes up the exchange moves in favour of London, because the buying power of the sovereign is enhanced.

The process is exactly the same, and is even more simple and easy to understand when we take away the complication of the exchange of the monies of two different nations and look at it at work between two distant towns of the same country. If in the course of trade New York has large payments to make in Chicago, money in Chicago will be wanted in New York, and competition there will send up the price of it, so that a dollar in Chicago will be worth more for the time being to New Yorkers than a dollar in New York, and any New York bank or firm that has a balance or a credit in Chicago will be able to dispose of it at a premium. The extent of this premium, however, will obviously be limited

by the expense involved of sending lawful money, as the Americans call it, from New York to Chicago. If we suppose, for the sake of simplicity, that the cost of sending a dollar and insuring it is covered by a cent, no one in New York will pay much more than one dollar and a cent for a dollar in Chicago. Rather than do so he will send his dollar. He will probably pay a small fraction more to save himself the trouble and time involved by sending and insuring money, and this minute fraction that he will sacrifice is the opportunity of the exchange dealer, who will send money to Chicago, and put himself in funds there, and so be able to supply money in Chicago to any one in New York who will pay for it at the rate of one dollar and one cent plus any profit that the exchange dealer can squeeze out of him.

Viewed in this simple example the problem of exchange has few terrors. It is merely a question of the price of money in one place, as expressed in the same money in another, with fluctuations governed by supply and demand and limited by the cost of sending money from place to place. This limitation does not mean that supply and demand cease to govern the market, but merely that at a point supply can be increased to meet any demand by the despatch of currency.

CHAPTER II.

THE PRINCIPLES OF EXCHANGE

Lay by arbitrary names pence and shillings and consider and speak of it as grains and ounces of silver and it is as easy as telling of twenty. Locke, 1695.

Lay by arbitrary names pounds, dollars, francs, etc., and consider and speak of real money as the weight of pure gold or pure silver and the comprehension of money is as easy as telling of twenty.

Consider that subsidiary coins are only tokens of the standard coins and not intended to be a proportionate equivalent value with standard coin, and that all credit instruments on paper are only promises or orders to pay money. J. H. Norman.

INLAND EXCHANGE

7. *Inland Exchange.*—Inland or domestic exchange is a term applied to the transfer of funds between points in the same country, generally through the medium of bank drafts or cheques. As inland exchange deals with only one kind of money no conversion is necessary as in the case of foreign exchange, and the difference between the amount remitted and the amount paid for a draft is quoted as a discount or a premium on the amount. Domestic exchange acts as a clearing house between different sections of the country, whereas foreign exchange operates as a clearing house between nations.

Exchange is said to be in *favour* of Toronto, for instance, and *against* Montreal when the demand for remittances from Montreal to Toronto exceeds the demand for remittances from Toronto to Montreal, because under these circumstances a draft on Montreal could be purchased at a discount in Toronto, while a draft on Toronto would be at a premium in Montreal.

The discount or premium on the transfer of domestic funds known as the actual or market rate, applies only to large or wholesale transactions of $50,000 or over between banks and not to counter transactions, for which the usual banking commission is charged no matter how the actual exchange stands between two points. (See New York Exchange, Section 8.)

Changes in both domestic and New York rates are small in amount and the fluctuations are frequent, and it is impossible to apply them to the ordinary counter or retail transactions, so the banks charge a flat rate, irrespective of the market. A parallel will be found in the case of wheat, which can fluctuate widely without affecting locally the price of bread.

In Canada the rate of inland exchange between banks and the rate charged to their customers is generally very much below the actual cost of shipping gold. This is due to the fluid nature of money and credit in Canada as a result of the branch banking system. Competition is an important factor in maintaining low rates of inland exchange. A bank through its branches and circulation is generally able to supply its own domestic exchange requirements, and it is only in the case of special transactions that outside purchases or sales are made, consequently there is little or no occasion for the study or practice of domestic arbitrage.

NEW YORK EXCHANGE.

8. *New York Exchange.*—Although technically exchange transactions with the United States come under the head of **foreign exchange** they are never so considered, owing to the fact that what we might call the North American dollar, 23.22 grains fine, is used by both countries. The rate of exchange on wholesale transactions is quoted in sixty-fourths of 1% ($15\frac{5}{8}$ cents per $1,000) premium or discount as the case may be.

The conditions which influence exchange between Canada and the United States illustrate the way in which similar factors affect the quotations both of **inland** and of **foreign exchange**. "Exchange" just like any other commodity is subject to the laws of supply and demand. If the supply exceeds the demand prices (i.e. exchange rates) go down, and vice versa. If Canadian exports to and imports from the United States are equal, exchange will be at par. If our exports are the larger New York funds will be plentiful and will be quoted at a discount. If on the other hand our imports are the larger, New York exchange will be scarce and quoted at a premium.* The difference in the money value of the exports and of the imports of any country is called the balance of trade in favour of or against that country, and it may be considered as between *two* countries or as between the country in question and *all other* countries.

At the beginning of the war, early in August, 1914, New York being heavily indebted to London and to Canada, New York funds in Canada were quoted at 3/32 discount: the unwillingness of New York to part with gold at this time increased the discount, until it reached over 1% at the end of August.

This abnormal condition of a discount on New York funds, greatly in excess of the gold import point (70 cents), obtained during the months of September and October, but gradually decreased until par was reached on 30th October. (See Section 11.)

The balance of payments then passed to the other side, the United States became the creditor nation and the premium on New York funds gradually rose, until on 2nd January, 1915 it reached 1% premium, as Canada in its turn was now unwilling to ship gold. The sale of government, municipal and other bonds in the United States and the decrease in Canadian imports from the United States tended to gradually reduce the premium on New York funds until they were quoted at par on October 20th and at a discount on November 12th.

A shipment of gold can be made between New York and Montreal at a rate of about 70 cents per $1,000 or about four and one-half 64ths of 1% (65 cents express and 5 cents cooperage and carriage). A bank, as a rule, would *bring gold* to Canada as soon as a rate of 4/64 to 5/64 **discount** was quoted, or would *ship gold to* New York before 5/64 **premium** was reached. It would, however, probably be willing to pay

*See page 10. Read "Montreal" for "Chicago."

a small fraction more to save itself the trouble and time involved by the transfer of gold, and this fractional advance represents the profit to the seller when funds are at a premium, and to the buyer when funds are at a discount. As a rule, however, the ordinary business between Canada and the United States is conducted without having recourse to gold shipments either way.

From the above it will be seen that the **import** of gold to Montreal from New York implies:

1st.—That New York **owes** Montreal.

2nd.—That bills of exchange on New York have been offered freely in Montreal to absorb this balance.

3rd.—That these bills have been offered by sellers at a **discount** in order to stimulate buying, but that this discount did not exceed (under normal conditions) 4/64 to 5 64ths of 1 per cent. or about 70 cents per $1,000, at which rate it would be better to buy gold in New York and bring it to Montreal.

Conversely the **export** of gold from Montreal to New York implies:

1st.—That Montreal owes New York.

2nd.—That bills of exchange on New York have been eagerly sought for in Montreal in order to liquidate this indebtedness.

3rd. That a **premium** has been offered by buyers to induce selling, but that this premium did not exceed 70 cents per thousand. At a higher rate than this it would be cheaper to buy gold in Montreal and ship it to New York.

The same main conditions apply to foreign exchange transactions between Canada and any other country, the only difference being in the range of the discount or premium, which of course is governed by the cost of shipping gold, and this cost is in its turn governed by the distance the gold is shipped.

Until 1912 New York funds in Canada were generally at a discount; averaging about 1/32 of 1% in spite of the fact that the so-called "balance of trade" was always against Canada. In other words, imports from the United States exceeded exports to the United States by some $250,000,000 a year, and yet the exchange was generally in favor of Canada. This abnormal condition was due principally to the steady flow of British and foreign capital into Canada during the period referred to, the relative exchange operations being effected through New York. With the diminution of the volume of these investments and the constantly increasing remittances to Europe on account of dividends,

interest, etc., the position is gradually being reversed, and since 1912 the tendency of the market for New York funds has been more or less against Canada. The average rate now shows a slight premium a state of things which will probably become permanent, except in periods when Canada is selling bonds in **London and New York on a large scale.**

In connection with New York exchange there is one factor that must never be overlooked, and that is, that New York being the financial centre of the continent, all foreign exchange rates throughout Canada are based on New York quotations, and Canadian quotations therefore will *differ* from the original quotations in New York to the **extent of the discount or premium on New York funds.** If New York funds are at par in Montreal and Toronto, the quotation for exchange will be practically the same in both countries, as the transfer of funds between Canada and New York, theoretically necessary to carry out the transaction, can be made without gain or loss. If New York funds, however, are at a discount or premium, the quotations are shaded accordingly. In sterling computations $8, $15, $23 and $31 (or .0008, .0015, .0023, .0031 per pound) per £10,000 are generally taken as representing 1/64, 1/32, 3/64 and 1/16, respectively, and deducted from or added to the New York quotations. For instance, if the New York rate for demand bills is quoted at 4.8625 and New York funds in Montreal are 3/64 discount, the Canadian equivalent rate will be $4.8625 - .0023 = $4.8602 per pound sterling.*

FOREIGN EXCHANGE

9. *Foreign Exchange.*—Foreign exchange may be defined as the system by which one country adjusts its financial transactions with another country.† The mutual indebtedness of two countries arises from a combination of the following:

- Exports of merchandise.
- Investments abroad.
- The purchase of foreign securities
- Payments of interest and dividends to foreign shareholders.
- Charges for transportation, insurance and commission paid to foreign corporations.
- Tourists' expenditure, etc.

Sometimes the resulting balance of payments is in favour of one country and sometimes of the other, and exchange rates rise and fall accordingly. There are, of course, many other reasons which affect the course of the exchanges, but the above are the principal factors in the fluctuations

The principal operations of foreign exchange include the issue of various forms of commercial paper, money orders, letters of credit payable abroad, cable transactions, drafts for the value of goods exported and the purchase or sale of bullion or foreign coin.

Foreign exchange differs from **inland exchange** in two important respects. In the first place if the monetary units are of different

*For mark and franc quotations, see Germany (Section 42) and France (Section 35)

†See Section 8.

weights and *fineness* it is necessary to **convert** the money of one country into its equivalent in the money of another country, and, in the second place, **interest** becomes an important factor in the transaction; for instance, a man pays cash in Montreal for a draft on London, but eight or ten days must elapse before he gets the use of the money in London, and the interest for this period must be taken into consideration.

When foreign exchange is quoted in the home currency (*e.g.* dollars and cents) per foreign unit, it is called **fixed exchange.** For instance, exchange on London is quoted in Canada in dollars and cents per pound sterling. The latter is the **fixed basis** and its value fluctuates in dollars and cents, and the **higher** the quotation the higher the cost of **fixed** exchange. When the rate is quoted in foreign units per home unit it is called **movable exchange.** For instance, exchange in Paris is sometimes quoted in francs and centimes per dollar. The dollar is the **fixed basis.** The fluctuations occur in the foreign currency, and the **higher** the quotation the **lower** the costs of the exchange—you get more francs for your dollar. **Canada** and the United States quote in **fixed exchange** for all countries, though for large transactions with France and the other members of the Latin Union, *movable exchange* is used.

THE MINT PAR

10. *The Mint Par.*—The mint par between any two countries which use the same metal for their standard coinage is found by comparing the standard coin of each, basing the calculation on the weight of the pure metal in each coin. The **mint par** between two countries **never** varies unless one of them alters its coinage regulations by increasing or decreasing the quantity of pure metal in its monetary unit.

Between a gold standard country and a silver standard country there can exist no fixed par of exchange, for the reason that the value of silver in relation to gold is subject to great fluctuations.

Almost all the leading countries of the world are now on a **gold basis** or **standard,** only China and a few of the less important South American republics being on a **silver basis.** France and the other countries in the Latin Union are in theory **bimetallic** (pledged to the unlimited coinage of both silver and gold coins), but practically they are to all intents and purposes on a gold basis.

All coins whether of gold or silver are made of so much pure metal and so much alloy; the latter is used to harden the coins and its value is neglected in exchange calculations. The term "fineness" expresses the number of parts of pure gold or pure silver contained in a thousand parts of the combination.

The British sovereign is 916 2/3 fine or 11 parts of fine gold and one part of alloy. The gold coins of Turkey and Brazil are also 11/12 fine. Those of nearly all other countries are on a basis of 900 fine or 9/10 fine gold and 1/10 alloy.

In Table No. I will be found a list of the principal gold standard countries with the names, weights, and values of their various units.

The weights are given both in **grammes** and in **grains**, but as practically every country with the exception of Great Britain, Canada and the United States uses the **metric system**, calculations are more frequently made in grammes (a gramme = 15.43235 grains).

The names of the countries are arranged according to the weight of their monetary units. Egypt and Great Britain have the largest units, France and the Latin Union the smallest.

Column No. 4 in the table gives the values in dollars, and is arrived at by dividing the weight of pure gold in the dollar into the weight of pure gold in the other units. Similarly dividing by the weight of the sovereign gives the values in English money, *the answer always being in the currency represented by the divisor.* For instance, compare the sovereign and the gold dollar:

Gross weight of sovereign	123.27447 grs.
Less 1/12 alloy	10.27287
Pure gold in sovereign	113.00160 grs.
Gross weight of dollar	25.8 grs.
Less 1/10 alloy	2.58
Pure gold in dollar	23.22 grs.

Therefore:

$$1 \text{ dollar} = \frac{23.22 \times 240}{113.0016} = 49.316\text{d or £ } .205484$$

$$1 \text{ pound} = \frac{113.0016}{23.22} = \$4.86656^{*}$$

Similarly a franc contains 4.48036 grs. of pure gold.

$$1 \text{ dollar} = \frac{23.22}{4.48036} = \text{Fcs. } 5.182621$$

$$1 \text{ franc} = \frac{4.48036}{23.22} \quad \$ .1929531^{\dagger}$$

The **British sovereign** is legal tender in Great Britain and all the British colonies (including Canada), and is current practically all the world over.

United States gold is legal tender in Canada, Alaska, Hawaii, Panama, Porto Rico and the Philippines.

The **Scandinavian Union** consists of Denmark, Norway and Sweden; the names and values of their coins are the same for the three countries.

The **Latin Union** consists primarily of France, Belgium and Switzerland (franc), Greece (drachma), and Italy (lira).

Although not members of the Latin Union, Roumania (lei), Bulgaria (lew), Spain (peseta), and Serbia (dinar), have adopted its monetary system, so that practically all the south of Europe is on the same basis.

Venezuela (bolivar) has also adopted this syst

Table No. II gives the equivalent values of the monetary units of the various countries, the values being arrived at by dividing the pure gold contents of the unit in grammes or in grains (Columns 6 or 8, Table No. I) into each other.

For instance, .6048 grammes, the weight of pure gold in the Dutch florin, divided into the weight of all the units in Column 6 (Table No. I), will give the value in florins of the other foreign currency as given in Column 4 (Table No. II

*The exact par point, $4.86\frac{2}{3}$, is sufficiently close for all purposes, and is the legal par as established by the Currency Act.

†These are the real par points; 19.3 cents the franc and $5.18\frac{1}{8}$ francs to the dollar are convenient approximates.

The following table shows the amount of the currency of the various countries which can be coined from **1,000 grammes of pure gold** and from **1,000 grammes of minted or eagle gold 900. fine,** and is both interesting and useful:*

		1000 GRAMMES Pure Gold	Mint Gold 9/10 Fine
Great Britain	**£ Sterling**	136.5675	
North American	**Dollars**	664.6144	$ 598.153
Russia	**Roubles**	1291.66 2/3	R. 1162.50
Japan	**Yen**	1333.33 1/3	Y. 1200.
Holland	**Florins**	1653.44	Fl. 1488.10
Scandinavian Union	**Crowns**	2480.	Cr. 2232.
Germany	**Marks**	2790.	M. 2511.
Austria	**Crowns**	3280.	Cr. 2952.
Latin Union	**Francs**	3444.44 4/9	Fcs. 3100.

GOLD POINTS

11. *Gold Points.*—The mint or theoretical par remains invariable in gold standard countries. If the exporting and importing of gold could be effected without expense or loss of interest, the mint par and gold points between any two countries would be practically identical, but a shipment of gold involves heavy expenses for interest, abrasion, freight, insurance, cooperage, cartage and other charges. These deducted from the mint par give the "**import gold point**" and added to the mint par give the "**export gold point**"; that is to say when it costs more to buy sterling exchange in New York than it would cost to buy gold and ship it to London, the remitter naturally takes the cheaper method and **exports** gold, but when, on the other hand, exchange is so freely offered in New York that the rate becomes abnormally low, a seller may find it cheaper to transfer his London balance by **importing** gold.

The charges on a shipment of gold to London or Paris vary with each shipper, and these are trade secrets which are jealously guarded. It is, therefore, impossible to give any exact figure, but, roughly speaking, the gold points for sterling are 7/16 to ½ of 1% on either side of the mint par, or two cents to two and a half cents per pound sterling. Sometimes special concessions are offered by the receiver of the gold which materially reduce the expense of the shipment. The half of one per cent. thus absorbed by freight, insurance, brokerage and incidental costs constitutes a natural bar to the more frequent shipment of bullion between two countries. The intermediate rates between these gold points and the mint par, that is, the rates at which business is usually done, rise and fall in sympathy with the influences at work on the other exchanges. New York, for instance, whilst a debtor to England, may be a creditor of Germany, France or

*The figures in either column may be used in determining the mint par between any two countries. For instance 3280 crowns divided into 2790 marks will give .85061 marks as the value of the crown, and 2952 crowns divided into 2511 marks will again give .85061 marks.

other countries with which England has close exchange relations. New York drafts on these places are remitted to London and improve (i.e. lower) the rate of sterling exchange, for the time being. If, however, the supply both of London and of Continental bills falls short, the point at which New York will have to export gold is soon reached, but, as stated by Ricardo, "the variation of the "exchange with foreign countries can never for any considerable time exceed the "expense of transporting and insuring the precious metals from one country to "another."

The extreme range of the gold points between New York and London and the continental centres is approximately as follows:

	Imports	*Par*	*Exports*
New York and London	$ 4.84½	$ 4.86⅔	$ 4.88½ per £1.
New York and Paris	5.23	5.18¼	5.16 fcs. per $1.
Ne York and Berlin	94.50	95¼	96.25 cents per 4 marks.
Lonuon and Paris	25.32½	25 22	25.12½ fcs. per £1.
London and Berlin	20.53	20.43	20.34 mks. per £1.
London and Amsterdam	12.15	12.10	12.04 florins per £1.

Under normal conditions margins between the two shipping points are thus sufficiently large to allow considerable play to the numerous factors affecting international finance and trade, and the rates fluctuate more or less regularly between the two points. Wars and rumors of wars and other startling political events frequently disturb the delicate working of the exchanges and cause the rates to go beyond normal limits. For instance, in the first week of August, 1914, demand sterling was quoted in New York at $6. and cables at $7 per pound. It soon declined from these figures, however, and continued dropping until the middle of February, 1915, when "demand" was quoted $4.79, and on September 1st, 1915, at $4.50.*

During a serious war, therefore, the courses of exchange are no longer restricted by the "gold points," but fluctuate widely, and at times wildly. Among the new factors which then affect the exchanges may be mentioned the demoralization of the international money markets, the sentimental, if not legal, restriction placed on the export of gold by every country, and the risk attending transportation, insurance, if obtainable at all, being at a prohibitive rate.

RATES OF EXCHANGE

12. *Rates of Exchange.*—A rate of exchange is best defined as the price of the monetary unit of one country reckoned in the money of another country. In speaking of the rate of exchange with Great Britain, for instance, the quotation 4.8666 means that in New York a draft payable in London can be purchased at the rate of $4.86-2/3 for each pound sterling. All foreign exchange rates in Canada and the United States are quoted as so many *cents per foreign unit*. In large transactions with Germany, however, rates are quoted as so many *cents per four marks*

*In 1873 sterling drafts sold at $4.62¾, while during the panic of 1857 sixty day bills sold at 25% discount (on the old par of exchange, 4.44 4/9), or $3.33 per pound.

because four marks are so nearly equivalent to one dollar, and the French rate is quoted as so *many francs per dollar.**

In regard to the exchanges which are quoted in cents per foreign unit the following two simple rules suffice:

To convert dollars into foreign currency.

Rule.

Divide the amount in dollars by the rate in cents per foreign unit.

Example:—

How many francs can be bought for $1,000 at 19.3 cents per franc?
$1000 \div 19.3 = 5181.35$ francs. Answer.

How many marks can be bought for $1,000 at 23.26 cents per mark?
$1000 \div 23.26 = 4299.23$ marks. Answer.

How many kronen can be bought for $900 at 26.46 cents per krone?
$900 \div 26.46 = 3401.36$ kronen. Answer.

To convert foreign currency into dollars.

Rule.

Multiply the amount in foreign currency by the rate in cents per foreign unit.

Example:—

How much will drafts for the following amounts cost?

600 francs at 19.26 cents:
$600 \times 19.26 = \$115.56$.

800 marks at 24.21:
$800 \times 24.21 = \$193.68$.

3401.26 kronen at 26.46:
$3401.26 \times 26.46 = \$900$.

It will thus be seen that the arithmetic of the exchanges is very simple and these two rules suffice for all ordinary exchange calculations, though franc quotations per dollar and the fractional market rates require a little more study.

Those countries which are fortunate enough to have a monetary unit in common, have no conversion to make and do not require any exchange tables. Among these may be mentioned Canada and the United States with the dollar in common, Great Britain and her colonies with the pound sterling and the Latin Union with the franc. Exchange

* Similarly sugar may be quoted at **so many cents per pound**, or at so much per four pounds or per one hundred pounds, just like ordinary exchange and the **higher** the price quoted the **less** sugar (or foreign money) you get for your money, and therefore the **dearer** the exchange.

Sugar may also be quoted at **so many pounds for the dollar** (as is the case with the French franc) and then the **more** sugar (or francs) quoted for a dollar the **cheaper** the exchange.

rates in these cases are quoted at either so much per cent. discount or premium, or as in the case of London and Australia so many units, for so many units, as £98 per £100.

HOW RATES ARE MADE

13. *How the Rates Are Made.*—A question which might naturally occur to anyone is, "Who makes the rates or decides the range and frequency of their fluctuations?" The answer is, "No one." Exchange is as subject to the law of supply and demand as wheat, copper or any other commodity.

To the question "Where is the rate made?" the answer is that, subject of course to market conditions, it is as a rule fixed by the country which draws and negotiates the bills. For instance, practically all exchange transactions between London and America originate on this side and the rates for sterling exchange are therefore fixed in New York.

The American exporter, rather than await a remittance, prefers to sell his bill and obtain ready money by drawing on his customer. The importer likewise who has bought goods abroad would rather remit for them to the foreign exporter than allow the latter to draw against them. In the former case he can obtain as low a rate as possible from his bank while in the latter he would have to pay a rate fixed by a foreign bank or broker who would not have the same interest in the transaction.

In New York, foreign exchange brokers, as they are called, act as intermediaries between buyers and sellers, calling daily on the leading bankers and exchange houses to enquire if they are buyers or sellers and at what price. A broker thus not only brings buyers and sellers together, but obtains an approximate knowledge of the general supply and demand for bills and can advise his clients accordingly. As the factors regulating the supply and demand are constantly changing he has to keep in close touch with the market and with his clients.

Canadian banks and brokers are kept constantly informed by wire of the rates ruling in New York, which are applicable to Canada **after the discount or premium** obtaining on New York funds has been allowed for.

The usual broker's commission is about \$5 per £10,000 on sterling exchange and 1/64 of 1% on Continental exchanges.

The principal exchanges quoted in the New York market are given below, together with the equivalent Canadian quotation after allowing for 1/16 of 1% discount on New York funds. The alternate quotations

for sterling on the old par of exchange and the cent quotations for marks and francs are also shown.

	New York	Canada, Less 1/16 of 1%	Alternate Quotation	
London:	$ per £ Stg.		Old par	
Cable	4.8575	4.8545	9 3/16+1/32	
Demand	4.8525	4.8495	9 1/16+3/64	New York funds being at 1/16 discount, the Canadian rate is arrived at by *deducting* 1/16 of 1% from the rate.
Commercial 60 days	4.8200	4.8170	8 3/8	
Bankers 60 days	4.8225	4.8195	8 7/16	Cables are 8 days' interest more than demand according to steamer sailings.
Berlin:	Cents per 4 Marks		Cts. per Mrk	
Cheque	94 11/16	94 5/8	.2365625	60 days' rates are 63 days' interest and stamp (.0024) less than demand.
Amsterdam:	Cents per Florin			
Cheque	40.04	40.01½	.40+1/32	
Hongkong:*	Cents per Mex. $			
Cheque	49.	48.97		
Paris:	Fcs. per $		Cts. per Fc.	The Canadian rate is arrived at by *adding* 1/16 to the New York franc rate or *deducting* 1/16 from the dollar value
Cable	5.20 5/8	5.20 5/8–1/16	.191956	
Cheque	5.20 5/8–1/32	5.20 5/8–3/32	.191896	
Commercial 60 days	5.24 3/8–1/32	5.24 3/8–3/32	.190524	

Exchange quotations are generally given in newspapers in two columns, the first column (b) giving the price offered by **buyers**, and the other column (s) giving the **sellers'** price, one expressing the demand and the other the supply. B gives the lowest quotation, the buyers naturally offering a price as low as possible, while the sellers try to obtain the highest price, but the real or trading quotation is generally somewhere between the two. There are two classes of quotations, the **posted rate**, which is used principally for small amounts, and the **actual rate**, or wholesale rate, used between bankers and brokers for large transactions. As a rule, however, the rate for very large transactions is a matter of individual negotiation owing to the frequent change in conditions during the day, and the rates are seldom announced in time to be of much use except to show the general trend of exchange.

EXCHANGE TABLES

14. *Exchange Tables.*—Exchange tables like interest tables are most convenient and useful tools, and though formidable in appearance, with their serried columns of figures, they are simple in operation and their compilation is merely a matter of multiplication.

All exchange tables give the same information, though some give it in greater detail than others—the *number of foreign units for so many dollars* and the *number of dollars for so many foreign units*, at various rates. As an example we will compile a brief franc table for the rate

*See page 67.

5.16-7/8. This of course represents the value in francs of a dollar and we must now find the value of 1 franc by division—$\frac{1}{5.16875}$=.1934704. We are now ready to compile our table as follows.

Francs.	Dollars.	Dollars.	Francs.
1	.1934704	1	5.168750
2	.3869408	2	10,337500
3	.5804111	3	15.506250
4	.7738815	4	20,675000
5	.9673519	5	25,843750
6	1.1608223	6	31,012500
7	1.3542926	7	36,181250
8	1.5477630	8	41.350000
9	1.7412334	9	46.518750

By continued multiplication of the top lines, this table can be extended indefinitely, but the above is sufficient to find the equivalent of any sum up to 1,000,000 francs or dollars.

890 francs at 5.16 7 8 is found as follows.*

800 francs=\$154.78
90 francs= 17.41
\$172.19

Our next table would be at the rate of 5.17½ (or .1932367), or if we desire a closer quotation 5.16 7 8—1/64 (.1934401), and so on for every quotation likely to be required.

Franc quotations range from about 5.10 to 5.30, advancing by 5 8th centimes.† **Mark** quotations range from 92 cents per 4 marks to 98, advancing by 1 16 of a cent.‡ Closer quotations for either the franc or the mark are made in the form of fractional additions or deductions from the dollar value. **Sterling** quotations range from 4.75 to 4.95, advancing by $\frac{5}{100}$ths of a cent per pound or, as it is called, 5 pts. per pound.

The exchange rates on all other countries are shown below. Attention is called to the continuity of the rates starting with 18 cts. for the

*In all exchange conversion, whether by table or otherwise, it is an excellent plan to verify results by mental calculation on a basis of \$5 to the pound, 5 francs to the dollar, 25 cents to the mark and so on. This ensures the accuracy of the decimal point, and forms a rough check. Thus 890 ÷ 5 francs \$178.

†See Section 35.

‡See Section 42.

franc up to 53 cts. for the rouble. The quotations advance by steps of one hundredth of a cent or .01 cents, thus 18.01, 18.02, 18.06 and so on.

COUNTRY	UNIT	PAR VALUE IN DOLLARS	ORDINARY RANGE	PROFIT PER $1,000
Latin Union	Franc	.193	18 to 20 cents	51.8 cents
Austria-Hungary	Crown	.203	20 to 22 "	49.2 "
Germany	Mark	.238	22 to 25 "	42. "
Scandinavian U.	Crown	.268	26 to 28 "	37.3 "
Holland	Florin	.402	39 to 41 "	24.9 "
Mexico, South America, Asia	Silver Dollar	fluctuating	41 to 50 "	22. "
Japan	Yen	.498	50 to 53 "	19. "
Russia	Rouble	515	50 to 53 "	19. "
Great Britain	Pound	4 866	4.80 to 4.90	02. "

The last column shows the profit made on $1,000 for every .01 cents advance, the profit on 1000 foreign units being of course ten cents for each advance of .01 cents in the quotation.*

BILLS OF EXCHANGE OR DRAFTS

15. *Bills of Exchange or Drafts.*—A bill of exchange is an unconditional order in writing addressed by one person, the drawer, to another, the drawee, signed by the drawer and requiring the drawee to pay on demand (or at a fixed or determinate future date) a sum certain in money to (or to the order of) a specified person, or to bearer. This is the universally recognized definition of a bill of exchange. The wholesale transactions of the world are effected by bills of exchange and they constitute the most important circulating medium of both national and international finance. There is practically no difference between a bill of exchange and a draft, but the former term is commonly applied to an order for payment in a foreign country while the latter refers to inland bills.

If a bill of exchange is drawn for the value of goods exported and a bill of lading and insurance certificate, etc., are attached, it is known as a **documentary bill of exchange** and instructions are attached to surrender the documents on **payment (D P)** or on **acceptance (D A)**. If no documents are attached it is known as a clean bill of exchange. Bills of exchange and the accompanying documents, if any, are usually

*The best tables for general use are "Foreign Exchange Tables," by E. D. Davis, Minneapolis, and "Foreign Exchange Explained and Simplified," by George K. Brooks, Chicago. Both these books cover the whole range of the foreign exchanges, but the former is particularly adapted for large transactions requiring the use of close fractional quotations.

drawn in duplicate, the originals being forwarded on first outgoing steamer and the duplicates by the next.

Sometimes the second bill of exchange is retained until a satisfactory sale can be made, in which case the maturity of the bill is based on the date that the first of exchange was accepted in London, accurately determined by the arrival of the mail boat. The second bill of exchange bears the name and address of the holder of the accepted bill and before payment the two are attached, thus becoming one bill. A bill of exchange may be taken up any number of times before it is due and be put into circulation between each payment, but once it is paid by the acceptor on its becoming due it cannot again be put into circulation.

CHAPTER III.

A DAY IN AN EXCHANGE BOX

PRACTICAL EXCHANGE

16. *Practical Exchange.* By far the best way to obtain an insight into the practical working of exchange is to study actual counter operations. Many of us have had an opportunity of watching exchange transactions, and perhaps assisting in them, in one of the big city banks, but for the benefit of those who have not we will examine a few of these transactions in detail.

We have already seen in Section 13 how the rates are obtained from New York, and we will use the quotations there given in our operations, and consider them as the cost price to us of the various exchanges.

	Bulletin*	Buying	Selling
London			
Cable	4.8545		4.8722
Demand	4.8495	4.8277	4.8695
60 days	4.8170	4.8111	
Paris			
Cheques	$5.20\frac{5}{8}$—$\frac{9}{32}$		$5.19\frac{3}{8}$
Cheques	19.19 cts		19.30 cts
Berlin	$94\frac{5}{8}$		$94\frac{7}{8}$
Hong Kong	49		49.20

In the examples the allowance made for profit is, of course, nominal, and in the case of sterling rates the old par of exchange quotations are used as well as the dollar rate, as the former method is still in use for counter transactions. The explanations are necessarily brief, and reference should be made to the fuller explanations given elsewhere.

In practice the conversions are, of course, arrived at with the assistance of exchange tables, but as a matter of interest the actual working of conversion is shown in a few examples.

DEMAND STERLING, ETC.

17. *Demand Sterling, etc.*—Our first customer is Mr. Bryant, who wants to send £420 to London, we quote him $9\frac{9}{16}$ (4.8695) and ask him to fill up and sign a *requisition form.* This form should be used in connection with the sale of every kind of draft, foreign or domestic, as it eliminates the risk of misspelled names and other errors.

Great care should be taken in filling out the draft, avoid wide spacing, and make the figures plainly thus £420=. Write the amount on a single line if possible, commencing at the extreme left. Write the shillings and pence in full if there are any. Never use fractions of a penny. Cheques in England are commonly written with the shilling sign , thus 7 2 meaning seven shillings and two pence, but the former method is safer.

*Cost to branch.

By the exchange tables we find that Mr. Bryant must give us a cheque for \$2,045.19.

Conversion:—To reduce the old par quotation $109\frac{9}{16}$ to the dollar quotation we multiply it by $\frac{4}{45}$ = $109.5625\times\frac{4}{45}$ = \$48694$\frac{4}{9}$ or \$4,8695.

$4.8695\times420 = \$2,045.19.$

Mr. Meyers, a lawyer, now makes a requisition for the equivalent of \$1,000, a legacy he has to remit to England, for which we give him a draft for £205–9–7, which is at the rate of $9\frac{1}{2}$ (\$4,86$\frac{2}{3}$).

Conversion:—$109.50\times\frac{2}{45} = 4.86\frac{2}{3} = \frac{\$1000}{4.86\frac{2}{3}}$ = £205.48 = £205.9s.7d.

Mr. Meyers has also to cable £1,000 to one of his clients in London, for which we require explicit instructions on the requisition regarding the name and address of the payee, etc. We charge $9\frac{5}{8}$ (\$4.8722$\frac{2}{9}$) and, in addition, the cost of the cable message—\$2.00, making a total of \$4,874.22. Great care should be taken in coding the cable and it should be checked by another officer re-coding it. The message should be advised to the London correspondent in *plain English*, a copy of a message itself in code should never be sent.

The Manager now hands in a requisition in favour of the Blank Bank of Canada. This represents the sale of £10,000 at the wholesale or market rate of 4.8515 ($9\frac{1}{8}+\frac{1}{32}$). The draft when made out is delivered to the purchasing bank and a cheque is received for \$48,515, a profit of twenty dollars.

STERLING PURCHASED

18. *Sterling Purchased.*—Mrs. Ellen Smith brings in a **crossed cheque*** for £180, which we place to her credit at $8\frac{5}{8}$ (4.8277$\frac{7}{9}$) realizing \$869. The cheque is payable to the order of Mrs. John Smith, and as the English banks are very particular about the endorsement being exactly the same as in the face of the cheque, we ask Mrs. Smith to sign it "Ellen Smith, wife of John Smith." Should it be payable to Mrs. Ellen Smith it should be endorsed "Ellen Smith" the "Mrs." being disregarded. Endorsements on foreign cheques or drafts should never be stamped, always written.

*A cheque is crossed by drawing two parallel transverse lines across its face, with or without the words "and Co." This constitutes a "general crossing" and the bank on whom it is drawn must pay it only through another bank, or receive it on deposit direct from the payee. If the name of a particular bank is written between the lines, the cheque is "crossed specially" and can only be paid through and to that bank. If the holder of a crossed cheque is a customer of the drawee bank, the latter must not pay cash, but may credit the customer's account, and the latter can withdraw the amount by cheque if he so desires.

The crossed cheque is not used in Canada, though it is authorized by the Bills of Exchange Act (Sec. 168-175). In England, however, where identification is not so strictly enforced by the banks, the object of crossing cheques is to prevent their payment to the wrong holders.

Sangster & Company, produce dealers, offer a **60 day sight draft** for £2,000 against a shipment of cheese, with documents attached to be surrendered on payment (D P), which we place to their credit, after seeing that all the papers are in order and properly endorsed, the rate given is $8\frac{1}{4}$ ($4.8111\frac{1}{8}$) and they realize $9,622.22.

Attached to the draft, which is made in duplicate, are:—

Marine Bill of Lading (in duplicate)

Certificate of insurance for £2,150

Letter of Hypothecation*

Before mailing, we endorse all documents by written signature to the order of our London correspondent, retaining the duplicate draft and Bill of Lading to send by next mail.

FRENCH EXCHANGE

19. *French Exchange.* The first customer for French exchange wants a draft for Fcs 300.25, which we sell him at .1930 and receive $57.95. (These rates advance 19.30 cents, 19.31 cents, 19.32 cents, etc., a fluctuation of .01 amounts to about 52 cents on $1,000).

We are careful to write out the date in words, otherwise a cheque would be treated as a bill and taxed accordingly.

The body is filled in as in dollar cheques, and the memorandum as Fcs 300.25.

The next requisition is for a draft on Paris for Fcs 5,000 at $5.19\frac{3}{8}$. When francs are quoted this way, so many francs for one dollar, we decrease the rate in selling; in other words we buy high and sell low. Paris funds cost us $5.20\frac{5}{8}$ 3 32 or $959 48 for Fcs 5,000, if we sell at $5.19\frac{3}{8}$ we will receive $962 69 and make a profit of $3 21.

If we quoted 5.20 we would receive $961 53, a profit of $2 05.

Conversion: $\frac{5,000}{5.19\frac{3}{8}} = \$962.69.$

A decrease in the rate $\frac{5}{8}$ centimes correspond to a profit of $\frac{1}{8}$ of 1% on the dollar amount.

For conversion with fractional quotations see Section 35.

GERMAN EXCHANGE

20. *German Exchange.*—Mr. Jenkins wants to send marks 1,000 to his daughter in Berlin, for which we charge him $237.19 at the rate of $94\frac{7}{8}$ cents per 4 Marks.

*A Letter of Hypothecation is a certificate attached to a documentary bill of exchange, signed by the drawer which describes the nature of the shipment, etc., and states in effect (1) that the Bill of Lading is lodged as collateral security for the acceptance and payment of the draft, (2) that in case of dishonour the holder is authorized to dispose of the goods and apply the proceeds towards payment of the draft and expenses incurred, (3) that the drawer holds himself liable for any deficiency, and agrees to pay same on demand. When an exporter sells a number of bills of exchange to a bank, a general or blanket hypothecation certificate is given to apply to any or all bills of exchange purchased from him.

Conversion: $\frac{94\frac{7}{8}}{400}$ = .2371875 per Mark or \$237.19 for Marks 1,000. The draft should be filled out in marks avoiding odd pfennige. See that the draft reads pay "out of money at our credit" or "out of balance" or words to that effect as otherwise it will be subject to stamp taxes of 1/20 of 1% the same as Bills of Exchange.

German exchange is also quoted at so many cents to the Mark, advancing by steps of .01 cents, 24.01, 24.02, etc., and a fluctuation of 1 cent means about 42 cents on \$1,000. The conversion requires no explanation. An advance of 1/8c per 4 Marks corresponds roughly to 1/8 of 1% on the dollar amount.

SUNDRY DRAFTS

21. *Sundry Drafts.*—Won Lung, who by the way is a very close figurer on exchange rates, wants a draft on Hong Kong for Loc. Cur. \$100 for which we quote him 49.20 for each Mexican or local currency dollar as it is called. His draft therefore costs him \$49.20. In making out drafts on Hong Kong, care should be taken not to omit the words Loc. Cur. \$100, and in the body, One hundred dollars Local Currency, avoiding cents, if possible. Drafts on Hong Kong are generally made out to bearer so there is considerable risk in their use to the remitter.

If Won Lung had asked for the equivalent of \$100 in local currency he would have received a draft for Loc. Cur. \$203. or $\frac{100}{49.20}$

Belgium, Switzerland and Italy are members of the Latin Union, and their monetary system and quotations are similar to that of France, with the exception that the Franc in Italy is called the Lira (plural Lire). There is very little demand for drafts on other countries of Europe, and then only for small amounts for individual use, as large transactions are preferably settled by means of drafts on the big centres, London, Paris or Berlin and exchange on these points generally commands a premium in other European cities.

The **money orders** of the Canadian Bankers' Association are largely used for small remittances to Great Britain and the United States. They are limited in amount to *fifty dollars each*, which feature should never be overlooked.

They are payable at points all over Canada (except the Yukon) and an endorsement shows the different correspondents in Great Britain and the United States where they can be cashed. In the former they are paid at a fixed rate of \$4.90 per pound sterling (when a fixed rate of exchange is endorsed on a cheque or draft it is called a **tel quel** rate.)

FOREIGN MONEY ORDERS, ETC.

22. *Foreign Money Orders, etc.*—Foreign Money Orders are a cheap and convenient means of remitting small sums of money to any part of the world. They are usually drawn in pounds sterling, the maximum amount of any one Order being limited to £25. For remittances

in excess of that amount it is cheaper and more convenient to purchase an ordinary bank draft.

The body of one of these money orders reads as follows:

"The Banks mentioned hereon will pay to the order of .... the sum of .... or its equivalent in the currency of the country in which it is presented."

It is addressed to the London office or correspondent of the issuing bank and signed by the Manager and Accountant, while below it bears this note:

"If presented in.................the sum of..
will be paid without deduction except for stamps."

where the equivalent amount of foreign money can be filled in if the remitter desires the order to be for a specific sum in a certain currency. There is also printed on the face a list of the correspondents at the principal towns in a score or more countries where it will be honoured at the current rate of exchange.

The remittances of immigrants to their relatives and friends in their home countries are increasing every year and for this purpose the foreign money orders and the mail remittances (referred to below) are most useful. The former can be used where the payee is resident in any of the cities mentioned on the money order, or in a town where there is a regular bank, but for all other points a mail remittance should be used.

Mail Remittances to Foreign Countries: By this system a Canadian bank requests its chief correspondent in (say) Russia or Austria to pay a certain sum to a specified person in that country, enclosing at the same time a draft to cover the amount involved and the correspondent's commission. Immediately on receipt of this letter the correspondent forwards the equivalent of the amount in local currency to the beneficiary by registered mail, post office order, or through its agents in the town where the beneficiary resides. The mail remittance form is usually arranged in four perforated sections, namely:

1. A letter of advice giving full instructions which goes forthwith to the correspondent with the covering draft.

2. Receipt for the remitter which he retains. This is not negotiable.

3. Notice for the payee, which is also handed to the remitter for transmission to the beneficiary, giving the name of the correspondent and containing the following notice in a dozen different languages:

"If the above amount is not received within ten days send this slip with your exact address to the ...." (name of correspondent in foreign country).

4. Stub on which a record of particulars of the transaction is made.

LETTERS OF CREDIT

23. *Letters of Credit*—The next customer is Mr. Brown, who intends to visit Europe and asks us to arrange his finances for the trip. He requires a **letter of credit** for £1,000, travellers' cheques for $500 and £10 in sovereigns.

Travellers' cheques though sold and payable in dollars (in denominations of $100, $50, $20 and $10) are payable in the principal foreign countries for the full fixed amounts in foreign currencies printed on the face of the cheques without deduction for commission. In the colonies which use the same currency as their mother countries, the cheques are payable at the current rate for purchasing exchange on the capitals of the respective mother countries.

Travellers' cheques may be cashed practically anywhere and are self-identifying and easily negotiated. Mr. Brown pays $502.50 (½ of 1% commission) and receives:

1. A book of cheques of the denominations he requires.

2 A list of correspondents, hotels, etc., who will cash the cheques.

3. A **letter of indication** which he signs in our presence and which is used by the correspondents to compare with the signatures on the cheques when he obtains the cash. This letter also contains the numbers and amounts of the cheques.

Some banks do not use a letter of indication but require the signature of the customer to be placed on each cheque before issue. In this way every cheque carries its own identification but the risk is greater.

For the sovereigns we charge par $48.67, making a total of $551.17.

We now come to the **circular letter of credit** and give Mr. Brown:

1. The letter itself for £1,000.

2. A letter of indication bearing his signature, and

3. A list of correspondents from whom money may be drawn.

Mr. Brown signs an agreement that any cheque he draws against the credit shall be charged to his account at the current rate of the day when presented to us for redemption, plus a commission of 1%. If of high financial standing this agreement is sufficient, as there would always be funds in his account to meet the withdrawals, otherwise we would require cash or securities to be deposited to the amount of the liability.

Our next visitor is Mr. Jackson, from London, Eng., bearing a letter of credit from a well-known London bank, one of our correspondents. He presents his letter for £500 and a letter of indication, with a request for £10. We first see that the letter is in form in regard to dates, etc., compare it with the sample form and signatures of our correspondent on file, and add up the endorsements to see that there

is a sufficient balance to meet the proposed withdrawal. Everything being in order we –

1. Carefully endorse on the back of the letter the date and amount withdrawn accompanied by our own name.

2. We fill in a sterling draft, which Mr. Jackson signs, for the amount in strict accordance with the instructions contained in the body of the letter of credit.

3. We then pay Mr. Jackson the equivalent of £10 at the rate of the day, say $48.20.

Letters of credit are sometimes fraudulent and great care should be taken in comparing them with the original copy and signatures. In the hands of private individuals they are only intended to provide funds from place to place and any withdrawal of an unusual proportion of the face amount should be viewed with suspicion, unless some satisfactory explanation can be given, such as the purchase of tickets for the homeward journey, etc. The letter of credit form should be attached to the final draft when the withdrawal exhausts the credit.

Our customer, Mr. Brown, in using his letter of credit in foreign countries will be treated similarly to Mr. Jackson.

We next have presented to us a **travellers' cheque** for $100. We ask for the letter of indication and request that the cheque be signed in our presence by the holder. After comparison of the signature and number of the cheque with the **letter of indication** we pay the exact amount of the cheque, $100. By arrangement with the issuing bank we are entitled to 10 cents for our trouble which we add to the cheque and forward the item for redemption as $100.10.

COMMERCIAL LETTERS OF CREDIT

24. *Commercial Letters of Credit.* -Smith & Company, tea merchants (Montreal), next apply for a commercial letter of credit on London for £10,000 in favour of Napier & Company, Colombo, Ceylon, tea merchants. The first thing to determine is Smith & Company's financial standing and business experience. It is true that any transactions against letters of credit are protected by bills of lading and insurance, but it must be remembered that there are many risks in the import business, especially when from some distance, in the way of shrinkage in market value, loss in weight and depreciation, so that the financial position of the consignee should provide ample margin for such contingencies.

If the financial standing of Smith & Co. is satisfactory we ask them to sign an **application** for a commercial letter of credit setting forth the particulars and terms of the shipment and giving instructions in regard to insurance, etc., all of which are embodied in the letter of credit addressed to Napier & Company. This letter is handed to Smith & Company to forward with instructions, and they in return give us a receipt in which is incorporated an agreement regarding the basis on which the bank is to be reimbursed, the amount of its commission (which varies according to the currency of the bills drawn) and defines the bank's rights in case of default in payment or other difficulties.

The letter of advice is forwarded to our London correspondents, and a copy retained for our files. It does not necessarily follow that the letter of credit will be availed of in one amount. There will probably be one or more shipments but they must all be made within the time limit mentioned in the letter.

The history of one of these shipments may be interesting. We will presume that the first shipment is for, say 1,000 boxes of tea, £4,000 sterling. Napier & Company on receiving the letter of credit from Smith take it, the draft, invoices, bills of lading and insurance policies to their bank in Colombo, who endorse the amount on the letter of credit and forward the draft with documents attached to their correspondents in London. On reaching London it is presented to our correspondents (or branch), who, after accepting the draft, are handed all the documents, which they forward to us in Montreal with particulars of the due date of the acceptance, etc., as they look to us to provide for same at maturity. The bills of lading are held until the arrival of the tea when we can either warehouse it or hand it over to Smith & Company under their trust receipt for speedy disposal. Ten or twelve days before the maturity of the draft we call upon Smith & Company to pay the amount at the current rate of exchange plus our commission. We are thus placed in funds to meet the draft at its maturity when it is charged by London branch or Agents to our account.

Anyone not already familiar with the forms used in both commercial and circular letters of credit should ask to be shown the same.

CHAPTER IV.

GREAT BRITAIN

25. *Money.* Gold monometallic standard. **Monetary Unit,** the sovereign 123.27447 grains, $916\frac{2}{3}$ fine ($113\frac{1}{624}$ grains or 7.322385 grammes pure gold).

Gold Coins.—£5, £2, £1 (sovereign) and ten shillings or half sovereign.

Guineas. Guineas (twenty-one shillings) and half guineas are no longer coined or in circulation. The term, however, is still used in public subscriptions and by lawyers and medical men in their fees for professional services.

Silver Coins. Crown (5/-), half crown (2/6), florin (2/-), shilling, sixpence and threepence. One pound of standard silver (925 fine) is coined into 66 shillings; a shilling therefore weighs 87.2727 grains of standard silver or 80.7272 grains of pure silver.*

Paper Money.—Bank of England notes £5, £10, £20, £50, £100, £200, £500, £1,000. The bank of England is authorized to issue notes up to £18,450,000 without metallic cover. All issued over that amount must be covered by gold pound for pound. These notes are payable on demand and are legal tender for any amount except at the Bank of England itself, where they must be redeemed in gold. In August, 1914, the British Government issued Treasury Notes for £1 and 10/-. These are also legal tender.

There are a number of banks in Great Britain outside of London, which are permitted to issue notes. These notes are generally of small denomination and as there is a charge for collection in London, their circulation is purely local.

Legal Tender.—Gold and Treasury Notes are legal tender in Great Britain to any amount, silver to the amount of £2, and copper coins to the amount of 1s. The sovereign, however, is not legal tender when its weight falls below 112.2921 Troy grains pure gold. The Bank of England does not reissue a sovereign when it is below the weight of 122.976 grains of gold and alloy.

Bank of England notes are legal tender and the Bank will exchange gold coins of legal weight for Bank of England notes without delay or expense.

*British quotations for bar silver are quoted so many pence per *ounce standard*, so when silver is quoted at $24\frac{1}{2}$ pence per ounce, the pound standard costs 24s. 6d. (294 pence), which divided by 66 gives the intrinsic value of the shilling $4\frac{5}{11}$ pence. American quotations for bar silver are quoted so many cents per ounce of *pure silver*; therefore the London quotation for bar silver at say 25 pence would correspond with $25 \times \frac{1000}{925} = 27.026$d for 1 ounce of pure silver or in American money on the basis of 49.316d per dollar, $\frac{27.027}{49.316} = 54.80$ cents.

The English price per ounce standard silver multiplied by the constant **2.192** will give the New York equivalent value per ounce of pure silver and the New York price per ounce of pure silver multiplied by the constant **4562** will give the English parity per standard ounce, thus 54.80 cents $\times$ 4562 = 25 pence. $25 \times 2.192 = 54.80$ cents.

COINAGE OF GOLD

26. *Coinage of Gold.*—Great Britain coins 1869 sovereigns from 40 lbs. troy of standard gold 11/12 fine, and the value of an ounce of **standard gold** is therefore £3. 17s. 10½d. (77.87465 shillings); of an ounce of **pure gold** £4. 4s. 11.45d. (84.95416 shillings); and an ounce of **mint or eagle gold** £3. 16s. 5½d. (76.458744 shillings).

The United States coins 800 gold dollars from 43 ounces of **mint gold** 9/10 fine and the value of an ounce of **mint or eagle gold** as it is called, is therefore $18.60465, of an ounce of *pure gold* $20.671835, and of an ounce of *standard gold* $18.949182. These are also the Canadian values.

The Bank of England pays immediately for gold at the rate of 77s. 9d. per ounce standard.

The Royal Mint in London and its four branches in Melbourne, Perth, Sydney and Ottawa, take any quantity of gold for coinage, which is free, but deliver the corresponding coins—at the rate of 77s. 10½d. per oz. standard—a fortnight after the reception of the gold.

The difference of 1½d corresponds to about 4% interest for 14 days on the ounce value.

Under normal conditions the Bank of England pays £3. 17s. 9d. per ounce for standard bar gold (or at the rate of £1 for $4.8744) and buys United States eagles at about £3. 16s. 4½d. per ounce (or at the rate of £1. for $4 8719) but these prices occasionally vary.

On August 13, 1914, the announcement was made that the Bank of England was willing to purchase gold at Ottawa through the Dominion Government and to pay cash in London against same at the fixed price for gold bars at 77s. 6d per ounce standard and United States eagles at 76s. 0½d. per ounce. It is useful to know how to arrive at the equivalent dollar rates.

In the case of **standard** gold, divide **$18 949182** by the London price per ounce in pounds and decimals of a pound.

$\frac{18.949182}{£3.875}$ = $4 8901 per £ sterling at £3. 17s 6d. per ounce standard gold.

Or a rough calculation may be made by adding .0026 cents to par ($4.8666) for each half penny *decrease* from 77s. 10½d.

4 8666 + (.0026 × 9) or .0234 = $4 8900

For eagle or United States *mint* gold, divide **$18 60465** by the price per ounce

$\frac{18.60465}{£3.802}$ = $4.8932

or add .0027 cents to par for each half penny *decrease* from 76s. 5½d.

4.8666 + (10 × .0027) or .027 = $4 8936.

LONDON QUOTATIONS

27. *London Quotations.*—London has not yet adopted a uniform method of quotation for foreign exchanges, some countries are quoted in pence and some in foreign money.

In **English money** are quoted:—

South America, China, India, Russia, Portugal and Spain.*

In **Foreign money** are quoted:—

All other foreign countries.†

*The pence pars for these exchanges will be found in column Table II. The rates generally advance by steps of one sixteenth of a penny.

†The pars for the more important countries will be found opposite Great Britain in Table II

The English quotations for North American exchange were formerly quoted in pence per dollar, advancing by thirty-seconds of a penny. Lately, however, it has become more and more the practice to use the American method of quoting dollars and cents per pound sterling, which, of course, makes comparison a simple matter. The old method, however, is occasionally used.

To reduce the American rate to the English quotation per dollar: $4 8000 being equal to 50d. per dollar, deduct this from quotation, divide the remainder by 30, the dividend thus obtained represents the number of thirty-seconds of a penny to be *deducted* from 50 pence, to give the equivalent.

Find the pence equivalent of $4.9136 per pound sterling:—

$$\$4.9136 = 4.8000 + \tfrac{1136}{30} = 50d. - \tfrac{37}{32} = 48\tfrac{27}{32} \text{ pence}$$
$$\$4.8666 = 4.3000 + \tfrac{666}{30} = 50d. - \tfrac{22}{32} = 49\tfrac{5}{16} \text{ pence}$$
$$\$4.8425 = 4.8000 + \tfrac{425}{30} = 50d. - \tfrac{14}{32} = 49\tfrac{9}{16} \text{ pence}$$

This rule will hold good to $4.9199 or $48\frac{23}{32}$ pence.

AMERICAN QUOTATIONS

28. *American Quotations.*—Sterling rates are quoted in Canada and the United States at so many dollars and cents to the pound sterling, $4.85, $4.86½ and so on. There are two methods of progression: namely, advancing by eighths of a cent $4.85, $4.85⅛, $4.85¼, and advancing by five one-hundredths of a cent per pound (00.05 cent), $4.8510, $4.8515, $4.8550 and so on. The latter is, of course, the closer quotation and is used in market transactions.

Canada is also using the cumbersome method of quoting sterling exchange on the basis of a *premium* on the **old par of exchange,** ($4.44⅘ per pound).

This latter method is now seldom used for large transactions, and it is to be hoped will soon be abandoned entirely.*

PROFITS

29. *Profits.*—When a profit of so much *per pound* is desired, no calculation is necessary. A cent advance per pound means one dollar per £100 or ten dollars per £1,000; a point advance per pound (00.01 cents) gives ten cents on £1,000 and five points (00.05 cents) per pound means a profit of 50 cents per £1,000. One-eighth of a cent advance gives 12½ cents per £100.

When the profit is figured on the *dollar value* it will be, roughly, double the advance in the rate (4.87×2, or double the value of a pound, being nearly 10.00). An advance of *five* points means a profit of 10¼ cents per $1,000, and an advance of fifty points (say $4.8500 to $4.8550) gives a profit of only $1.03 per $1,000. One-eighth of a cent advance means a profit of 26 cents per $1,000.

On ordinary transactions a profit of one-eighth to one-quarter of 1% should be made, or from sixty points to a cent and a quarter a pound, according to the nature and amount of the transaction. On small transactions two or three cents per pound should be charged in order to obtain a minimum.

*For conversion from **old par** to the dollar quotation, etc., see Appendix B.

A study and comparison of the exchange tables will be found of assistance, but practice is the best teacher.

In making a rate for a maturing collection drawn on Canada in sterling or foreign currency, whether received direct from the drawer or through another Canadian bank, care should be taken to see that the rate is higher than the counter demand draft rate for the day, on account of the extra work involved in collecting. The rate should be sufficiently high to reimburse the collection banks for their services. The drawee sometimes considers the question settled by offering in payment a demand bank draft for a similar amount in sterling, which is, of course, an untenable position to take.

Rule.—**Buy low, sell high.**

CONVERSIONS

30. *Conversion.*—In actual practice conversions are generally made with the aid of exchange tables, but every operator should be able to make the necessary calculations for himself.

Sterling currency is non-decimal:—

£1 = 20 shillings = 240 pence = 960 farthings.
.05 = 1 shilling = 12 pence = 48 farthings.
.004⅙ = 1 pence = 4 farthings.

It will be found more convenient for purposes of calculation to reduce all shillings and pence to the decimal of a pound.*

* Decimals of £1

Shillings		Pence	
1	£ .05	1	£.00416
2	.10	2	.00833
3	.15	3	.01250
4	.20	4	.01666
5	.25	5	.02083
6	30	6	.02500
7	35	7	.02916
8	.40	8	.03333
9	45	9	.03750
10	.50	10	.04166
11	.55	11	04583
12	.60	12	.05000
13	.65	1/32	.00013
14	.70	1/16	.00026
15	.75	3/32	.00039
16	.80	1/8	.00052
17	.85	1/4	00104
18	90	1/2	.00208
19	.95	3/4	.00312
20	1.		

Decimals of a pound:

To reduce shillings and pence to the decimal of a pound, multiply the shillings by .05, and the pence by .004⅙. The reason of this is apparent.

£1 = 1.
1s = .05 of a pound.
1d = .004166 of a pound or .004⅙.

If only an approximation to the nearest penny is desired, multiply the pence by .004, and add one to the result if over twelve, and two if over thirty-two.

Example:

Reduce £15, 8s, 7d. to pounds and decimal:—

	15.
.05×8................	.40
.004⅙×7..............	.029⅙
	£15.429⅙

To reduce decimals of a pound to shillings and pence, divide the first two numbers by five for the shillings, and the remainder by four for the pence (to be exact, divide by .004⅙ or $\frac{.025}{6}$).

Addition			Multiplication			Subtraction			Division		
£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
240.	12.	8	215.	12.	8	215.	12.	8	4)25.	7	7
15.	10.	5			4	212.	15.	10			
5.	5.	4									
£261.	8.	5	£862.	10.	8	£2.	16.	10	£6.	10.	4
or £261.42083			or £862.533			or £2.8426			or £6.37916		

To convert English money into dollars:—

Rule.—Multiply the amount in pounds by the rate per pound.
£2,500 at 4.8635 = 2,500 × 4.8635 = $12,158.75

To convert dollars into English money: –

Rule.—Divide the amount in dollars by the rate per pound.
$2,500 at 4.8635 = $\frac{2500}{4.8635}$ = £514.0331 = £514. 0s. 8d.

Since £15 is equal to $73 at par ($4.8666), sterling amounts may be converted into dollars at par by multiplying by 73/15, and dollar amounts may be converted into pounds sterling at par by multiplying by 15/73.

INTEREST AND STAMPS

31. *Interest & Stamps.* The English stamp tax on bills of exchange amounts to one shilling for every £100, or nearly a quarter of a cent per pound (.0024). In exchange calculations an allowance for stamps is made of 1/20 of 1% or 24 cents per £100.

Cheques, three day sight bills and under only require a penny stamp, no matter what the amount.'

The days of grace are three. There is no grace on cheques, demand or sight drafts, bank post bills (issued by Bank of England) or Treasury Bills.

All bills due on bank holidays are paid the day after.

Bills due on Sundays, Christmas Day or Good Friday are paid the day before.

Bills due on the 31st of the month at thirty days are due on the third of the following month.

Interest is calculated by taking the exact number of days and the year at 365 days.

The discount rates applicable to various classes of bills are, roughly, as follows:—

Clean bills drawn upon firms: –¼% above private discount rate.

Clean bills drawn upon bankers:—private discount rate.

Bills with documents deliverable on acceptance, ordinary cases:—¾ below Bank of England minimum discount rate.

Bills with documents deliverable on acceptance, drawees of very good financial standing:—1¼% above private rate.

The Bank of England rate governs the rate of interest paid by the London joint stock banks on deposits, the latter being generally 1½% below the Bank of England rate.

In cases where bills have documents attached, with instructions to accept payment "under a rebate of ½% above rate of interest allowed on deposits by joint stock banks" if the bank rate were 4% the deposit rate would be 2½% and the rebate 3%.

This is known as the "retirement" rate, and the bill is said to be taken up "under rebate," in order that the drawer may obtain possession of the relative goods before maturity. Such bills are known as D P bills (documents on payment) and are not discounted by English banks.

Sterling Exchange Interest Table for use in purchasing Bills of Exchange

Rates Per Cent.	3 Days	10 Days	33 Days	63 Days	73 Days	93 Days	123 Days
Basis.....	$485.	$485.	$485.	$485.	$485.	$485.	$485.
1/16......	.002	.008	.027	.052	.061	.077	.102
1/8.......	.005	.017	.055	.105	.121	.154	.204
1/4......	.010	.033	.110	.209	.243	.309	.409
1/2......	.020	.066	.219	.419	.485	.618	.817
3/4......	.030	.100	.329	.628	.728	.927	1.226
1%......	.040	.133	.439	.837	.970	1.236	1.634
2%......	.080	.266	.877	1.674	1.940	2.472	3.269
3%......	.120	.399	1.316	2.511	2.910	3.707	4.903
4%......	.160	.532	1.754	3.349	3.880	4.943	6.538
5%......	.199	.664	2.193	4.186	4.850	6.179	8.172
6%......	.239	.797	2.631	5.023	5.820	7.415	9.807
Stamps....	.24	.24	.24	.24	.24	.24	.24

The above figures are calculated on the basis of $485 per £100 and 365 days per year. Stamps one shilling per £100 or 1/20 of 1%.

PURCHASE OF BILLS OF EXCHANGE

32. *Purchase of Bills of Exchange.* -Practically all exchange business in sterling is transacted by cable or by demand and sixty day bills, and quotations are generally furnished accordingly. Occasionally, however, it is necessary to make a quotation on some special dating, such as 30 or 90 days, and examples are therefore given below.

The Canadian demand rate is obtained by adding the premium on New York exchange (or deducting the discount) to the demand rate quoted in New York.*

*See section 8.

The following will show the difference of time between the different classes of bills and the stamps required:

3 days' sight:	one penny stamp.		6 days' interest off demand rate.	
15 "	1/20 of 1%	stamp duty,	18 days' interest off demand rate.	
30 "	1/20 of 1%	"	33 "	" "
60 "	1/20 of 1%	"	63 "	" "
90 "	1/20 of 1%	"	93 "	" "

In all exchange transactions the rate of interest is governed by the rate obtaining in the country where the acceptance of the bill is domiciled, so that on bills drawn on Great Britain the Bank of England rate and the London market rates are used in these calculations.

In addition to interest and stamps, a commission by the banks on the other side has usually to be taken into consideration, varying from $\frac{1}{40}$ to $\frac{1}{16}$ of 1 per cent., but as this concerns the individual arrangement of each bank with its London correspondent, it is not necessary to include it in these calculations. The same remark applies to any profit to be made on the transaction.

Examples showing how the rates for different kinds of bills are calculated, (as a matter of convenience the calculations are based on £100).

What price can be paid for:

(a) Commercial bill on London, draft drawn payable three days after sight, no documents attached ("Clean Bill")

New York rate for demand cheque on London..		$487.
Canadian premium on New York exchange, 1/32 of 1%*..............................		.15
		487.15
Stamp duty (1d) not figured..............	.00	
Discount 6 days, 3% (private rate)...........	.24	
		.24
		$486.91
Nearest commercial rate.....................		$4.8690

(b) Sixty days' sight draft on London bank, documents against acceptance.

New York rate for demand cheque on London........		$487.
Canadian premium on New York exchange 1/32 of 1%..		.15
		$487.15
Discount, 63 days, 3½%..................	$2.93	
Stamp duty, 1/20%........................	.24	
		3.17
		$483.98

Answer..........$4.8395

*See section 8.

(c) Ten days' sight draft on a merchant, documents deliverable against acceptance.

New York rate for demand cheque on London.......	$487	
Canadian discount on New York exchange, 1/64 of 1%....................................		.08
		$486 92
Discount, 13 days, $3\frac{3}{4}$%....	66	
Stamp duty, 1/20%.	.24	
		.90
		$486 02

Nearest Commercial rate......... **$4.86**

(d) Sixty days' sight draft drawn on a merchant, documents deliverable against payment, covering a shipment of perishable goods.

New York rate for demand cheque on London.......	$487.	
Canadian discount on New York exchange, 3/64 of 1%		.23
Retirement rate of discount at which draft may be retired at option of drawee under rebate. 63 days, 3%................................		486.77
	2.52	
Stamp duty, 1/20%......................	.24	
		2.76
		$484.01

Nearest Commercial rate........**$4.84**

The discount rate for bills under thirty days' sight is generally higher than for thirty and sixty days' sight, as the first named are of too short currency to be rediscounted.

Bills drawn at over sixty days' sight also bear a higher rate of discount, as a rule, than the market rate owing to the element of risk on account of the possible change of rate during the currency of the bill.

Bills drawn on English points outside London are generally worth one-quarter cent. per pound less than London bills on account of collection charges, etc.

Particular attention should be directed to the instructions given regarding the disposition of the documents and the treatment of the bill in the event of the non-arrival of the relative goods.

Bills drawn on British colonies bearing the clause "with exchange and all stamp duties for negotiating bills in London" added, are usually on the same footing with bills drawn on London.

Bills of exchange drawn on continental points are worth from one to two cents less per pound than similar bills drawn on London, according to distance, etc. If such bills, however, bear the clause "payable in London" or "in London exchange" they are usually on a par with bills drawn on London, plus any extra cost of postage or commission.

All endorsements must be in ink and signed in full as English banks do not recognize stamped endorsements. Endorsement should be made exactly as the face of the cheque calls for; Mrs. Ellen Smith, for instance, should endorse "Ellen Smith," Mrs. John Smith should endorse "Ellen Smith, wife of John Smith."

In Great Britain as well as in most foreign countries, a cheque whether drawn payable to bearer or order is paid without identification, *reasonable* caution alone being used. A bank, for instance, would naturally make enquiries if a tramp presented a cheque for a large amount. If, however, the cheque is crossed, that is, has two parallel lines drawn across its face, thus

and Co.

the bank upon whom it is drawn is directed to pay the cheque only when coming through some other bank. This places upon the bank the responsibility of seeing that the right person receives the proceeds of the cheque.

A cheque crossed specifically to a bank can only be paid to that bank.

Thus, a cheque crossed,—

Bank of Scotland, London, Eng.

must be presented through the Bank of Scotland, London, Eng.

CHAPTER V.

THE CONTINENTAL EXCHANGES

FRANCE

33. *Money* Double or bi-metallic standard (gold, and five franc silver pieces).

Monetary Unit. -The franc, .32258 grammes, 900 fine, .290322 grammes of pure gold.

Gold Coins.—Francs 100, 50, 20, 10 and 5. Fifty and one hundred franc gold pieces are seldom seen in circulation.

Silver Coins. -5, 2 and 1 francs, and 50 and 20 centimes. The silver five franc piece weighs 25 grammes, 900 fine, or 22.5 grammes of pure silver. Silver coins less than five francs bearing a date later than 1863 are not current and should be rejected. The twenty centimes silver piece is seldom seen in circulation. The five franc silver coins known as "ecus" and bearing any date from the 1st Napoleon are receivable in any amount.

Minor Coins.—Twenty-five centimes (nickel), and 10, 5, 2 and 1 centimes, (copper), the five centimes piece is called a sou, and the ten centimes piece two sous.

Paper Money. -Bank of France notes 50, 100, 500 and 1,000 francs. The Bank of France is the only bank authorized to issue notes in France, one-third of its issue must be covered with metal, and the balance must be covered with French rentes, or bills of exchange with at least three signatures.

Legal Tender.—The gold and silver coins (but not paper money, copper coins and Italian silver coins of less than 5 lire) issued by the countries comprising the Latin Union have free and unlimited circulation at their face value. The *gold pieces* of Austria, Bulgaria, Roumania, Russia, Servia and Spain are also current.

The five franc silver piece is unlimited legal tender in France and her colonies. The minor bronze coins are only legal tender up to the amount of five francs.

FRENCH QUOTATIONS

34. *French Quotations.*—Paris quotes on a sight or cheque basis francs per foreign unit or hundred units:—

London	25.13	francs per	£1
Germany	123¾	"	100 marks
Latin Union	99 9/16	"	100 francs
Holland	208¼	"	100 florins
Russia	264⅝	"	100 roubles
Austria	104 3/16	"	100 crowns
New York	517½	"	100 dollars

AMERICAN QUOTATIONS

35. *American Quotations.*—(a) Quotations at so many **cents to the franc** are only used in minor exchange operations and drafts drawn on small French towns. The conversions in this case resolve themselves into simple problems in multiplication or division.*

(b) Franc quotations—so **many francs to the dollar,** are the reverse of all the usual exchange quotations, so that a higher rate means cheaper or lower exchange; i.e., more francs are received for the dollar.

Thus:—

$1,000 at 5.18⅛ will purchase....Fcs 5181.25

$998.80 at 5.18¾ will purchase....Fcs 5181.25

Franc quotations advance ⅝ of a centime per dollar or about ⅛ of a cent per franc. It will also be noticed that the **advance** of ⅝ of a centime in the above illustration corresponds roughly to a **decrease** of ⅛ of 1 per cent. in the dollar value.

For an ordinary transaction this advance of ⅝ of a centime is sufficient, but in large transactions where the quotations are necessarily close, the "shading" is effected by increasing or decreasing the quotation by 1/64 of 1% etc. This plus or minus fraction does not, however, apply *directly to the rate,* but means 1/64 or 1/32 of 1%, etc. on the **amount of dollars** converted at the rate of 518⅛ or 520 as the case may be.

Francs into Dollars at a Fractional Rate:—

Fcs 1,000 at 5.18⅛ equals.............$193.0037

Fcs 1,000 at 5.18⅛ plus 1/64.......... 193.0037
plus 1/64 of 1%.. .0301
equals...........$193.0338

A **plus** fraction makes the francs cost *more.*

A **minus** fraction makes the francs cost *less.*

Dollars into Francs at a Fractional Rate:—

$1,000 at 5.18⅛ equals.............Fcs 5181.25

$1,000 at 5.18⅛ plus 1/64..........Fcs 5181.25
less 1/64 of 1% of itself.. .81
equals...............Fcs 5180.44

Or another way:—

1/64 of 1% of $1,000 is .15⅝ cents which at the above rate equals 81 centimes, to be deducted from the franc amount as above. (†)

A **plus** fraction *decreases* the number of francs received.

*See section 12.

† See footnote section 12.

A **minus** fraction *increases* the number of francs received.

It must always be borne in mind that the fraction (plus or minus) refers to the dollar amount only in *any* exchange quotation, a *plus* fraction makes francs (or marks or florins) cost more dollars, a *minus* fraction makes francs (or marks or florins) cost less dollars.

This at first sight may appear to be complicated, but a little practical experience, and the assistance of the following table should make it quite clear.

Francs per dollar				*Dollars per franc*			
520	plus	1/32	5.19837	520	plus	1/32	.192367
520	"	1/64	5.19918	520	"	1/64	.192337
520	"		5.20	520	"		.192307
520	minus	1/64	5.20081	520	minus	1/64	.192277
520	"	1/32	5.20162	520	"	1/32	.192247
520	"	3/64	5.20243	520	"	3/64	.192217

From the above it will be noticed that 1/64 makes a difference of .000030 in the dollars, and .00081 in the francs column. The rate $520\frac{1}{64}$ *decreases* the value of the franc by .000030 to .192277, but *increases* the value of the dollar .00081 to Fcs 5.20081.

A careful study of Table III. will be of great assistance in grasping the peculiarities of the franc quotation, as it shows at a glance how the dollar value *decreases* as the franc rate *increases;* the franc at 5.10 being worth 19.6 while at 5.25 it is only worth 19 cents.

The centre column gives the regular quotations from 5.10 to 5.25 francs per dollar advancing by ⅝ of a centime.

The column to the left gives the value in francs of $1,000 at the various rates It also gives the decimal values of the quotations, as 5.11⅞ equals 5.117875, ⅝ centimes advance being .625 centimes or .00625 francs.

The decimal shown in italics under each amount in this column represents 1/64 of 1% on the value in francs of $1,000, to be added if the fraction is a minus or deducted if the fraction is a plus, as the case may be, 3/64 of course being three times this amount and so on.

A quotation of 520 *plus* 1/64 can easily be ascertained from this table by *deducting* 81 centimes from Fcs. 5,200 which gives Fcs. 5,199.19 or Fcs. 5.19919 per dollar. If the quotation were for 5.20 *minus* 3/64 it would be necessary to *add* Fcs. 2.43 (3 x 81) which would make the rate 5.20243 per dollar. The fractions generally used are (plus or minus) 1/64, 1/32, 3/64, 1/16, though 5/64 and 3/32 are occasionally quoted.

The right hand column gives the value in dollars of Fcs. 1,000 at the various rates (it also shows the value of a franc in cents to seven places of decimals). The decimals in italics shown in this column represent 1/64 of 1% to be deducted from or added to the amount according to the sign before the fraction.

520 plus 1/64 =	520	= .1923077
	plus 1/64	.0000300
		.1923377

The consecutive figures shown in the column marked c/160 are **constants** for the various rates, the numerator increasing by one unit for each ⅝ centimes advance, the denominator 160 does not change. They are useful for conversion where no tables are available as they very much shorten the calculations. The constant for 5.15 for instance is $\frac{824}{160}$, and the constant for 5.20 is $\frac{832}{160}$. If these two are memorized the others are quickly found. 5.22½—5.20 = 2½ centimes, corresponding to four advances of ⅝ centimes each. Four must therefore be added to 832 making 836.

To convert dollars into Francs *multiply the dollars by the constant:*—\$1,250 at $522\frac{1}{2} = \$1{,}250 \times \frac{836}{160} = $ Fc6,531.25.

To convert francs into dollars *divide the francs by the constant:*—Fcs 1,000 at $522\frac{1}{2} = \frac{1000 \times 160}{836} = $ \$191,387,560.

The latter is worked out to six decimal places so that it can be compared with the Table III., and show the absolute accuracy obtained with this constant.

CONVERSIONS

36. *Conversions:*—French money is decimal, and operations are the same as for dollars.

Conversions with cent quotations (See Rule 4, page 7).

Francs into dollars:—Fcs 600 at .193 = 600 × .193 = \$115.80.

Dollars into francs:—\$800 at .192 = 800 ÷ .192 = Fcs 4, 166.67.

Conversions with franc quotations (See Rule 5, page 7).

Francs into dollars:—Fcs 5,000 at $5.18\frac{1}{8} = 5{,}000 \div 5.18125 = \$965.02$. If the rate were $5.18\frac{1}{8} - 1/64$ it would be necessary to *deduct* 1 64 of 1% of 965.02 or 15 cents, and the answer would be \$964.87.

Dollars into francs:—\$1,000 at $5.18\frac{1}{8} = 5.18125 \times 1{,}000 =$ Fcs 5,181.25. If the rate were $5.18\frac{1}{8} - 1/64$, it would be necessary to *add* 1 64 of \$1,000—$15\frac{5}{8}$ cents or 81 centimes—and the answer would be Fcs 5,182.06.

The same result would be obtained by adding 1/64 of 1% Fcs 5,181.25 to itself = 81 centimes.

Where the fractional rate of plus or minus is used, it applies only to the amount in dollars. Therefore in converting *dollars into francs:*—

(a) a *plus* fraction means that fewer francs will be obtained.

(b) a *minus* fraction means that more francs will be obtained.

PROFITS

37. *Profits.*—When the rate is quoted at so many **cents per franc,** an advance in the rate of one-hundredth of a cent (.01 cent) would of course mean one cent profit on Fcs 100, or ten cents of Fcs 1,000.

Rule.—**Buy low, sell high.**

Fcs 1,000 at .193 would cost \$193, and if sold at .1935 would realise \$193.50, a profit of 50 cents or nearly ¼ of 1%.

An advance of .01 cent in selling corresponds to a profit of about fifty cents per \$1,000, or 1/20 of 1%.

\$1,000 would purchase Fcs 5,181.35 at .193, but at .1935 \$1,000 would only purchase Fcs 5,167.96, a difference of Fcs 13.39 or \$2.54, representing ¼ of 1% profit on \$1,000.

When **franc quotations** are used, a difference in the rate of ⅝ centimes (.625 centime) corresponds approximately to ⅛ of 1% on the dollar value or 12½ cents per \$100.

Rule.—**Buy high, sell low.**

Fcs 1,000 purchased at 5.15⅝ would cost \$193.94, and if sold at 5.15 would realise \$194.17, a profit of .23 cents, or ⅛ of 1% on 193.94. If sold at 5.15⅝+1/16, \$194.06 would be paid (193.94+.12), and the profit reduced to 1/16 of 1%.

\$1,000 at 5.15⅝ would purchase Fcs 5,156.25, but \$1,000 would only purchase Fcs 5,150 at 5.15, a difference of Fcs 6.25 or \$1.25, representing a profit of ⅛ of 1% on \$1,000. If the rate was 5.15⅝ +1/32, the draft would be for Fcs 5,154.63 or Fcs 1.61 (31¼ cents) profit.

The profit on bills of exchange is always figured on the rate, not on the amount.

Example:—

What price should be paid for a sixty day bill on Paris, cheque rate 5.15⅝, discount rate 3%, to realise a profit of ¼ of 1%?

Cheque rate		515.625
Interest 3%, 60 days	2.60	
Stamp 1/20	.26	
Profit ¼ of 1%	1.29	4.15
		519.775 or 5.20+3/64*

or 5.19⅜−5/64

INTEREST, STAMP DUTIES, ETC.

38. *Interest, Stamp duties, etc.*—The *stamp duty* on **cheques** (the date of which must be written in words) is ten centimes each if payable in the town where they are drawn, otherwise twenty centimes.

The duty on **bills of exchange** is five centimes per Fcs 100 or fraction thereof. For quotation purposes stamp duties are reckoned as 26 centimes or 1/20 of 1% on \$100 (fcs 520).

Negotiated foreign bills are payable up to noon of the day following maturity.

Cheques drawn payable in France should always be dated in words in order to avoid the stamp tax. This is due to the fact that the law required a cheque to be paid within eight days from date of issue, otherwise it is considered a bill of exchange. As figures could be easily changed, the law requires the date in writing.

Quotations for time bills drawn on France are arrived at by *adding* the interest, stamps, etc. to the demand rate.

The interest is calculated on a basis of fcs 520. equals \$100.

No days of grace are allowed and interest is reckoned on a basis of *360 days* to the year.

Bills due on a Sunday or holiday are payable the day before.

*Equivalent to 5.19756 as against 5.19781, a difference of .00025, or less than five cents on \$1,000.

Again notice the plus fraction decreases the rate and the minus fraction increases it.

Documentary *payment* bills can be discounted with banks at the Bank of France rate.

Documentary *acceptance* bills are usually subject to discount at the Bank of France rate for the last five days and at the private discount rate for the balance of the time.

Discountable bills on first-class commercial firms are discounted at the open market rate.

A reduction in the discount rate of the Bank of France produces a fall in the London price of long bills on Paris and also produces a rise in French exchange.

Drafts on French banks are debited to the account on receipt of the relative *advices.* Interest on the amounts of drafts not promptly presented is therefore a source of revenue to the French bank.

Overdrafts in French accounts are expensive, as the rate of interest on debit balances is usually greater than in the case of any other European account.

French bankers usually charge an extra commission for telegraphic transfers to firms or persons not classified as bankers.

French Exchange Interest Table for Use in Purchasing Bills of Exchange

Rate per cent	3 days' sight	10 days' sight	30 days' sight	60 days' sight	90 days' sight
Basis	Fcs 520	520	520	520	520
1/16	.003	.009	.027	.054	.081
1/8	.005	.018	.054	.108	.162
1/4	.011	.036	.108	.217	.325
1/2	.022	.072	.217	.433	.650
3/4	.032	.108	.325	.650	.975
1	.043	.144	.433	.867	1.300
2	.087	.289	.867	1.733	2.600
3	.130	.433	1.300	2.600	3.900
4	.173	.578	1.733	3.467	5.200
5	.217	.722	2.167	4.333	6.500
6	.260	.867	2.600	5.200	7.800
Stamps	.26	.26	.26	.26	.26

The above figures were calculated on the basis of $100 being equal to 520 francs and 360 days per year.

PURCHASE OF BILLS OF EXCHANGE

39. *Purchase of Bills of Exchange:*—The Canadian rate is obtained by deducting the premium (or adding the discount) on New York exchange from the demand or other rates for francs quoted in New York. The demand rate is the basis from which the rates for time bills are calculated. It should be carefully noted that as the rate is given as so many francs to the dollar, allowances for interest, stamp duty, etc. should be *added* to the Canadian demand rate.

The following statement shows the *additions* which should be made to the demand rate for the various classes of bills:—

3 days' sight:	1/20%	stamp duty plus	3 days' interest.
15 "	1/20%	" "	15 " "
30 "	1/20%	" "	30 " "
60 "	1/20%	" "	60 " "
90 "	1/20%	" "	90 " "

The French official discount rate and the private discount rate govern the interest on the different classes of bills.

Where quoted rates are supplemented by fractional quotations, it is necessary to take these fractions into consideration in calculating the rates to be paid for bills, as follows:—

Percentage fraction	If minus, add to rate	If plus, deduct from rate
1/64%	Fcs. .00081	Fcs. .00081
1/32%	" .00162	" .00162
3/64%	" .00243	" .00243
1/16%	" .00324	" .00324

Example 1.

Paris cheque rate in New York 5.18⅛, premium on New York funds 1/64. Bank of France rate 3%, find the 60 day rate.

New York cheque rate....................		518.125 per $100
Less premium on New York funds 1/64...		.081
		518.044
Add stamp duty 1/20..........	.26	
Interest 60 days at 3%..........	2.60	2.86
		520.904 or 520⅝−3/64

5.20904 = 5.20625 + .00279 (3/64 = .00243).

Example 2.

New York funds 3/64 discount, cheque rate 518⅛−1/64.

New York cheque rate....................		518.125
Add 1/64..............................		.081
		518.206 New York cheque rate
Add 3/64 discount on New York funds........		.243
		518.449* Canadian cheque rate
Add Stamp duty....................	.26	
Interest..........................	2.60	2.86
		521.307 or 521¼−1/64†

*Practically the same result would be obtained by deducting the New York discount from the rate 5.18⅛−1/64—3/64 = 5.18⅛—1/16 = 5.184,49.

†5.2125 + .00057 (1/64 = .00081).

CHAPTER VI.

THE CONTINENTAL EXCHANGES (*Continued*)

GERMANY

40. *Money.*—Gold monometallic standard.

Monetary Unit.—The mark, also known as the Reichsmark, (100 pfennige) 900 fine .39824 grammes or .35842 grammes fine gold.

Gold Coins.—20, 10 and 5 marks. The German names for these coins are Doppelt-krone (double), Krone, and Halbe-krone (half). The last one is so small that it is seldom coined.

Silver Coins.—5, 2 and 1 mark and 50 pfennige. These coins are 900 fine and a mark weighs 5.555 grammes or 5 grammes of pure silver. A 3 mark silver thaler worth about 72 cents, is also in circulation. The 20 pfennige silver and nickel pieces have been withdrawn from circulation.

Silver thalers issued by the Confederate States forming the German Empire are still current, no matter what their date of issue may be. They are, however, being gradually withdrawn from circulation.

Minor Coins.—10 and 5 pfennige (nickel) and 2 pfennige and 1 pfennig bronze.

Paper Money.—Reichsbank Notes, 1,000, 100, 50, 20 and 5 marks The Reichsbank is authorized to issue notes for any amount provided the issue is fully covered by metal, otherwise at least 1 3 must be covered by metal, and the balance of the issue must be secured by bills. The total issue, however, must not exceed 541,600,000 marks. Every note issued above that limit is subject to a tax of 5% per annum. Gold, silver, treasury notes and notes of other banks are considered as metal.

Notes of other banks—Notes of the following banks for 100 marks each circulate generally throughout the empire:—

Badische Bank	Sachsische Bank
Bayerische Bank	Wuerttembergische Noten Bank

Imperial Treasury Notes.—These notes are those issued by the Imperial Government against the amount deposited in the Spandau Fortress near Berlin as a war fund, known as "Kriegsschatz" and up to the summer of 1914 averaged about $30,000,000 of gold coin. These notes are called Reichs Kassenscheine or Imperial Counter notes and are issued in denominations of 5, 20, and 50 marks. These, up to August 1914, were redeemable in gold at any time at the Reichsbank.

Legal Tender.—Gold, Imperial Treasury and Reichsbank notes to any amount and silver 20 marks.

GERMAN QUOTATIONS

41. *German Quotations.*—Berlin quotes on an eight day basis,* marks per foreign unit or hundred unit:—

London.....	20.45½	marks	per £1
Latin Union.	81.30	"	per 100 francs
Austria.....	85.30	"	per 100 crowns
Russia......	216.	"	per 100 roubles
Amsterdam..	168.70	"	per 100 florins
New York...	4.22	"	per $1

AMERICAN QUOTATIONS

42. *American Quotations.*—(a) The quotations at so many (about 23.87) **cents** to the mark are only used in minor exchange operations and for drafts drawn on small German towns. The conversions in this case resolve themselves into simple problems in multiplication or division.

(b) In the case of large transactions marks are generally quoted 95½ or 95⅝, etc. (advancing by 1/16th of a cent per 4 marks) which means that **4 marks** are worth 95½ or 95⅝, etc. cents. When this method is used, it is necessary, when making calculations, to multiply or divide by four, in order to obtain the rate per dollar or per mark.

For all ordinary transactions this method of quotation is sufficient, but in wholesale transactions, where the quotations are necessarily close, the shading is effected by increasing or decreasing the quotations by 1/64 of 1% of the dollar amount.

Where the **fractional** rate of plus or minus is used, it applies *only* to the amount in dollars. Therefore in converting *dollars into* marks:

(a) A *plus* fraction means that *fewer* marks will be obtained, so deduct the fraction from the marks.

(b) A *minus* fraction means that *more* marks will be obtained, so add the fraction to the marks.

Table IV. shows the value of $1,000 and 1,000 marks at rates varying from 94 to 96½ cents per 4 marks.

The right hand column gives the value in dollars of 1,000 marks. The value of one mark is of course found by moving the decimal point 3 places to the left.

The figures in italics under each rate represent 1/64th of 1% of the amount above it, to be added or deducted according to the fractional rate. For instance a rate of 96 = 24 cents per mark, a rate of 96 plus 1/64 = .2400375, and a rate of 96 plus 1/32 = .2400750, and so on.

The column to the left gives the value in marks of $1,000, and the figures in italics represent 1/64th of the amount, to be deducted or added the reverse of the fractional signs. For instance at the rate of 96, one dollar = 4.166 marks and at the rate of 96 plus 1/64 of 1%, one dollar = 4.166666
less .000651 = 4.166015

and so on.

A study of the following table will make the use of these equivalents clear. It will be noticed that a minus sign before the fraction

*Practically a cheque or demand basis.

decreases the dollars, and increases the marks, and a plus sign before the fraction increases the dollars and decreases the marks.

Marks per dollar	*Cents per 4 marks*	*Cents per mark*
4.168620	$96-\frac{3}{64}$	23.98875
4.167969	$96-\frac{1}{32}$	23.99250
4.167317	$96-\frac{1}{64}$	23.99625
4.166666	96	24.
4.166015	$96+\frac{1}{64}$	24.00375
4.165365	$96+\frac{1}{32}$	24.0075
4.164714	$96+\frac{3}{64}$	24.01125

The column marked $\frac{c}{3200}$ is the "conversion constant" advancing 1 unit for every 1/8th.

Memorize 760 as the numerator for the quotation 95, and 768 for 96, 3200 being the unchanging denominator; allow 1 for every 1/8th and .50 for every 1/16th. 95⅝ would therefore be represented by $\frac{760 \text{ plus } 5}{3200}$ and $95\frac{11}{16}$ by $\frac{765.50}{3200}$

To convert marks into dollars, multiply the amount in marks by the constant—Thus:

$$1600 \text{ marks at } 95\ 11/16\text{th} = \frac{1600 \times 765.50}{3200} = \$382.75.$$

To convert dollars into marks divide the amount in dollars by the constant—Thus:

$$1{,}000 \text{ dollars at } 95\ 11/16\text{th} = \frac{1000 \times 3200}{765.50} = 4{,}180.2743 \text{ marks.}$$

Note that 800 divided into the numerator of the constant will give the decimal equivalent of the rate—

$$\text{Thus: } \frac{765.50}{800} = 95.6875.$$

CONVERSIONS

43. *Conversions.*—As Germany uses the decimal system additions, subtractions, etc., are performed in the same manner as for dollars.

To convert marks into dollars.—Rule—multiply the amount in marks by the rate in cents.

$$3{,}000 \text{ marks at } .238 \text{ per mark} = 3000 \times .238 = \$714.$$

To convert dollars into marks.—Rule—Divide the rate into the amount in dollars.

$$\$714 \text{ at } .238 = 714 \div .238 = 3{,}000 \text{ marks.}$$

The same rules apply when the special quotation of cents per four marks is used: care, however, must be used to *divide* by four when converting marks into dollars and *multiply* by four when converting dollars into marks.

(a) Marks 1,466 at $95\frac{1}{2} = \frac{1466 \times .955}{4} = \frac{1400.03}{4} = \$350.$

(b) \$350 at $95\frac{1}{2} = 4(350 \div .955) = 366.492 \times 4 =$ Mks. 1465.968.

The same result would have been obtained by dividing the rate by four in the first place and multiplying or dividing by .23875, the rate per mark.

In converting marks into dollars when fractional rates are used, find the amount in dollars at the clean rate as in (a), then add or deduct the fraction, as the case may be, to or from the amount.

Marks 1,466 at $95\frac{1}{2}$ = \$350 (See example (a).

Marks 1, 466 at $95\frac{1}{2}+1/32$ = \$350+.11 (1/32 of 1% of \$350) = \$350.11

Marks 1,466 at $95\frac{1}{2}-1/32$ = \$350−.11 = \$349.89

In converting dollars into marks you *reverse* the fractional signs plus or minus:—

(c) \$349.89 at $95\frac{1}{2}$ less 1/32 = 349.89 *plus* 1/32 of itself =
349.89×.11 = \$350.

(d) \$350.11 at $95\frac{1}{2}$ plus 1/32 = 350.11 *minus* 1/32 of itself =
350.11−.11 = \$350.

We can then proceed as in example (b) and reduce \$350 to Marks = Marks 1,465.97.

Another Method:—

\$1,000 at $95\frac{1}{4} = 1{,}000 \div \frac{95.25}{4} = \frac{1000}{.238125}$ = Mks. 4199.475

\$1,000 at $95\frac{1}{4}+1/32$ = Mks 4199.47 less 1/32 of 1% or 1.31 Marks = Mks. 4198.16

Another Method:—

The same result would be obtained by adding the fraction to the dollar value before division:—

.238125+1/32 of 1% = .238125+.0000744 = .2381994
\$1,000÷.2381994 = Marks 4198.16

The reason of this is obvious: the fraction increases the price per mark, consequently \$1,000 will purchase less marks at the fractional rate.

PROFITS

44. *Profits.*—When the rate is quoted in cents per mark, a fluctuation of .01 cents amounts to about 42 cents per \$1,000: 1/8 of 1% profit would be represented by .03 cent advance.

\$1,000 at 24 = 4166.67
1,000 at 24.03 = 4161.46
a gain of Marks 5.21 or \$1.25 on \$1,000

When the quotation is cents per 4 marks an increase in the rate of 1/8c (96 to 96 1/8) corresponds roughly to 1/8 of 1% in the dollar amount

$1,000 at 96 = 4166.67
1,000 at 96 1/8 = 4161.25

a gain of 5.42 or $1.31 per $1,000

If it is desired to make an *exact* profit, take the percentage on the rate itself.

Rate	.96
Profit, 1/4 of 1%	.0024
	.9624 per 4 marks or 24.06c. per mark
$1,000 at 96	4166.67
1,000 at 96.24	4156.28
1,000 at 96 1/4	4155.84

at 96.24 a profit of 10.39 marks or $2.50 is made, and at 96 1/4 a profit of 10.83 marks or $2.60, a difference of ten cents per $1,000 in favor of the seller. The latter method is close enough therefore for ordinary transactions.

A fractional variation of 1/64 of 1% of course, represents 15 5/8 cents per $1,000.

Rule.—Buy low, sell high.

STAMPS, INTEREST, ETC.

45. *Stamps, Interest, Etc.*—The stamp duty on cheques in Germany is 10 pfennige each and on bills of exchange 50 pfennige for each 1,000 or fraction thereof.

For quotation purposes the stamp duty is reckoned as 1/20 of 1% or .05 cents per marks 400.

To avoid the stamp tax cheques on Germany should bear the following words written after the name of the drawee bank: "Pay against this cheque from our credit balance."

Drafts drawn in dollars are stamped on a basis of marks 4.25 per dollar.

If bills are in sets, only the copy actually in circulation is subject to the stamp. Bills may be accepted previous to having been stamped, but in that case they must bear the indication "Only for Acceptance" (N zum Accept bestimmt) and their back must be crossed. This is done to prevent endorsements on the bill. Bills on Germany but payable out of Germany must be stamped on acceptance.

The interest is calculated on a basis of marks 4. to 95 cents, and 360 days to a year, and 30 to the month.

There are no days of grace.

Bills due on a Sunday or a holiday are payable the following day.

Protest for non-payment of a bill of exchange must be made, at the latest, on the second working day after the bill was due.

Notice of non-payment must be sent to the last endorser not later than two days after protest is levied.

Bills must be accepted without delay whenever presented.

Documentary *acceptance* bills are generally discounted at the open market (private discount) rate and documentary *payment* bills at the Reichsbank discount rate.

Contrary to the practice of English Banks, German Banks will discount documentary *payment* bills and place the proceeds to the credit of the American Bank's account.

German Exchange Interest Table for Use in Purchasing Bills of Exchange

Rate per cent.	3 days' sight	10 days' sight	30 days' sight	60 days' sight	90 days' sight
Basis	$95.	$95.	$95.	$95.	$95
1/16	001	.002	.005	.010	015
1/8	.001	.003	.010	020	030
1/4	002	.007	.020	040	.059
1/2	004	.013	.040	079	.119
3/4	.006	020	059	.119	179
1%	008	026	079	158	237
2%	.016	.053	158	317	475
3%	024	.079	238	475	712
4%	.032	.106	317	633	950
5%	040	.132	396	792	1 187
6%	047	158	.475	950	1 425
Stamps	.05	05	05	05	05

The above figures are calculated on the basis of marks 400 being equal to $95 and 360 days to the year.

In order to avoid German stamp duty American exporters instead of drawing sight drafts on their German customers, instruct the latter by formal letter to pay the amount of the purchases to the American Bank's German correspondent.

These are called **Letters of Delegation** and are sold quite extensively. They are usually accompanied by bills of lading only, to be delivered on payment of the amount involved. Sometimes, however, the other shipping documents are attached as in the case of documentary drafts.

The Imperial Reichsbank of Germany transfers money from one branch to another free of charge for clients who carry satisfactory balances. These are known as **Giro conto** transfers. Outside of convenience to the customers the practice evades the stamp duty on cheques.

As money can be transferred by the **Giro conto** system to any city in Germany where a branch of the Reichsbank is located, premium or discount on exchange between different German cities (as in the case between New York and Chicago or between Canada and the United States) is unknown.

Cash items and remittances are credited to the account **"value,"** (by value is meant the date from which interest is credited or debited) the day *following* the date of actual payment, instead of "value" the date of payment as in London.

PURCHASE OF BILLS OF EXCHANGE

46. *Purchase of Bills of Exchange.*—The Canadian demand rate is obtained by adding the premium (or deducting the discount) on New York exchange to the demand rate for marks quoted in New York.

This demand rate is the basis from which the rates for bills are calculated.

The following statement shows the deductions which should be made from the demand rate for the various classes of bills:—

3 days' sight:	1/20% stamp duty, plus	3 days' interest
15 "	" " "	15 " "
30 "	" " "	30 " "
60 "	" " "	60 " "
90 "	" " "	90 " "

The German official bank rate and the private discount rate govern the interest on the different classes of bills.

Quotations for time bills drawn on Germany are arrived at by deducting the interest, stamps, etc. from the demand rate.

What price can be paid for: –

60 days' sight draft on Hamburg, Reichsbank rate 3%, Canadian premium on New York funds 1/32 of 1%.

New York cheque rate on Berlin 95½		=95.50
Add New York funds at 1/32........		= .03
		95.53
Less stamp duty 1/20 of 1%..	.05	
60 days at 3%..............	.48	.53
		95. or 95c per 4 marks

If the New York rate is supplemented by a fractional quotation, the following decimals should be added or deducted, as the case may be, to the rate in calculating the value of the bills:—

1/64 .00015 1/32 .00030 3/64 .00045

Thirty days' sight draft, interest 3%, Canadian Cheque rate 95½ plus 3/64.

Canadian cheque rate.........		95.50
plus 3/64 of 1%.		.045
		95.545
less Stamps 1/20 of 1%.	.05	
30 days at 3%.....	.24	.29
		95.255 or 95¼

In the case of sight bills drawn with documents against acceptance, the first of exchange is generally forwarded direct to the point on which it is drawn for the purpose of fixing the date of maturity of the bill at the earliest possible moment. The second of exchange is forwarded direct to Berlin or other central town in which the Canadian bank keeps its account, for discount and credit.

It is not customary to endorse the first of exchange, but endorsements by the bank may be made to the order of its correspondent in Berlin, to whom the duly endorsed seconds of exchange are remitted in due course.

Importers in Germany as a rule will not accept drafts against importations until the duplicate documents (duplicate draft, bill of lading, etc.) are presented,

and in order to have the original draft accepted immediately upon its arrival, banks in this country when forwarding such bills for acceptance and collection, should attach to the original draft a memorandum agreement to the effect that the duplicate of bill of lading is in their possession and that the duplicate documents will be delivered in due course.

In the case of bills which are not payable in Hamburg or Berlin, a commission charge varying from 1/10 to 1/20 of 1% is made for collection. This charge should of course, be taken into consideration in calculating the value of a bill.

CHAPTER VII.

THE CONTINENTAL EXCHANGES (*Continued*)

THE LATIN UNION

47. *The Latin Union.*—The Latin Union was formed in 1865 by France, Belgium, Italy and Switzerland, (while Greece joined in 1867), and was designed for the purpose of providing a uniform monetary system for Southern Europe. A **bi-metallic** or double standard was adopted, both gold and silver coins being made legal tender at a ratio of 1 to 15½. This was the French system, and already partly prevailed in the four other countries.

All the coins used in these countries were made exactly the same weight, and fineness though known under different names. The **silver five franc piece** (or its equivalent) was the principal coin and could be coined in unlimited quantities. The coinage of subsidiary silver was regulated, and every country was bound to redeem in gold, at stated intervals, its own silver coins which were found with the other members of the Union.

Both gold and silver (five franc pieces only) were legal tender and could be coined in unlimited amounts. The Italian silver coins of less than five lire, however, were excluded from this arrangement, as were also copper coins and paper money.

The adoption by Germany in 1871 of the gold standard caused such a depression in silver that the ratio of 1 to 15½ was found absurdly high, and to prevent the export of gold, France and the other members of the Latin Union finally *suspended the coinage of the five franc silver piece.* At present, therefore, the members of the Latin Union are practically on a gold standard basis, though the *existing* five franc silver pieces continue to be full legal tender.

This compromise between a single and a double standard is called **"etalon boiteux"** or "limping standard," because the silver franc pieces has in all markets a value considerably higher than the silver it contains.

The franc of one hundred centimes is the unit for France, Belgium and Switzerland. The gold franc weighs .32258 grammes 9 10th fine or .290322 grammes of pure gold. A five franc silver piece weighs 25 grammes, 900 fine, or 22.5 grammes of pure silver. The franc is known as the lira (plural lire) in Italy, and drachma in Greece. The centime is called the centisimo (plural centisimi) in Italy and the lepton (plural lepta) in Greece.

Although not members of the Latin Union, the following countries have adopted a similar monetary system and a decimal coinage practically equivalent in value:—

Roumania—the lei equal to 100 bani
Bulgaria—the lew equal to 100 stotinki
Finland—the mark equal to 100 penni
Spain—the peseta equal to 100 centimos
Servia—the dinar equal to 100 paras

Venezuela, Ecuador, Bolivia, Peru, Argentina and other Southern and Central American States have also adopted decimal coinage and other features of this monetary system.

So far as the countries in Southern Europe are concerned, an explanation of the system in one, answers for all, and France being the most important member of the Union, the French system, as shown in Chapter V. can be taken as an example.

HOLLAND OR THE NETHERLANDS

48. *Holland or The Netherlands.*—Holland is generally classed as a double standard country, but, like France, its present standard is a "limping" one, as it has a gold standard conjointly with the circulation (as legal tender) of the silver rixdaler, florin and half florin. The balance of indebtedness is usually in favour of Holland, and though Amsterdam is the fourth largest exchange centre in Europe, Holland has had no difficulty in adjusting her international transactions in gold.

Monetary Unit.—Florin (guilder or gulden)—100 Dutch cents (40.2 cents).

Paper Money.—Nederlandsche Bank notes: 500, 300, 200, 100, 60, 40, 25 Florins. State Bank notes (payable by Nederlandsche Bank) 50, 10 Florins.

Gold Coins.—10 Florins, 6.7200 grammes 900 fine or 6.048 gr. fine gold.

Silver Coins.—Rixdaler ($2\frac{1}{2}$ Fl.) 1, $\frac{1}{2}$, $\frac{1}{4}$, 1/10, 1/20 Florins. Silver florin 10 grammes, .945 fine or 9.45 grammes pure silver.

Minor Coins.—5 cents (nickel) $2\frac{1}{2}$, 1, $\frac{1}{2}$ cent (bronze)—legal tender to the amount of Fl. 1. The ratio in coinage of gold to silver is 1 to 15.625.

Legal Tender.—In addition to gold the $2\frac{1}{2}$, 1 and $\frac{1}{2}$ silver florins are unlimited legal tender in Holland and her colonies.

Quotations on Holland are quoted in cents per guilder or florin (the par value being 40.20 cents) advancing by .01 cents as in the other exchanges 40.20, 40.21, 40.22 cents, etc. The rate is also expressed $40\frac{1}{16}$, $40\frac{1}{8}$ cents, etc., and for large transactions the rates are supplemented by fractions as in German quotations.

The **conversion** is simple arithmetic. To convert dollars into florins, divide the dollars by the rate per florin. To convert florins into dollars, multiply the amount in florins by the rate per florin.

The bill stamp is 1/20 of 1% or two cents per $40.

Interest on Dutch long bills is based on $40 per 100 guilders or florins.*

* The interest is easily reckoned on a basis of $40 per 100 florins, or the constant $\frac{1}{900}$ multiplied by rate and time will give the interest on $40.
60 days at $4\% = \frac{1}{900} \times 60 \times 4 = \frac{4}{15}$ or $26.\frac{2}{3}$ cents.

There are no days of grace and interest is reckoned by taking the exact number of days and the year at 360 days.

Bills due on Sundays or holidays are paid the day after.

Where **fractional rates** are used they should be dealt with in a manner similar to the method used in German calculations, and added to or deducted from the dollar value when converting florins into dollars, but where dollars are converted into florins, the equivalent of the fraction converted into florins must be added if minus, and deducted if plus.

The differences made by (1) a fractional advance (2) one hundredth of a cent advance (3) 1/16 of a cent advance, are illustrated below:—

Florins	Rate	Dollars
2.500390	40—1/64	.3999375
2.50	40	.40
2.499609	40+1/64	.4000625
2.499375	40.01	.4001
2.496099	40 1/16	.400625

An advance of .01 cent in rate represents a profit of 25 cents per $1,000.

An advance of 1/16 cent (or .06¼ cent) represents a profit of $1.56 on $1,000.

Where quoted rates are supplemented by fractional quotations it is necessary to take these fractions into consideration in calculating the rates to be paid for bills, as follows:—

1/64	.0062	per $40	Add for a plus percentage.
1/32	.0125		
3/64	.0187		
1/16	.0250		Deduct for a minus percentage.

Example.—Find the value of a 60 day bill on Amsterdam, discount rate 3%, demand rate 40 1/16–1/32

40 1/16		=40.0625
less 1/32 of 1%		.0125
		40.0500
Less Interest 60 days at 3%	.20	
Stamps 1/20 of 1%	.02	.22
		39.8300 or 39.83 cents per fl.

AUSTRIA-HUNGARY

49. *Austria-Hungary.*—The monetary system of Austria-Hungary is based on gold (since 1892), and the legal monetary unit is the crown or krone, .338753 grammes .900 fine, worth about 20.26 cents.

Monetary Unit.—Krone (Crown)—100 Heller. Plural of Krone is Kronen. Old Unit—Florin or Guilder—100 Kreutzers.

Paper Money.—1000, 100, 50, 10, 5 Kronen. The old florin notes are considered valueless.

Gold Coins.—20, 10 Krone; 4, 2, 1 ducats. A ducat is worth about $2.2878; one gold ducat contains 53.8728 grains .986⅑ fine. The ducats are commercial coins, but are not legal tender.

Silver Coins.—5, 1 Krone, 1 Florin, 20, 10 Kreutzers. The 10 and 20 Kreutzer pieces are now only accepted at their bullion value. The 5 Krone piece is coined exclusively for the State, it is unlimited legal tender to the State at its nominal value, but in private business transactions to Kr. 250 only. 5 Krone silver piece 370.3765 grains .900 fine.

Minor Coins.—20, 10 (pure nickel) Heller, 2, 1 (bronze) Heller. Nickel coins are legal tender to the amount of Kr. 10, bronze coins to Kr. 10 for public dues and Kr. 1 for private dues.

The **Maria Theresa** dollar was created in 1780 by Maria Theresa, and it is still coined by the Vienna Mint, although it is never seen in Austria. It is minted for the commerce in the East as a "trade coin"; i.e., a coin without the obligation of redemption. It is worth about 85 cents, but fluctuates according to the price of silver. (See page 67).

Most of the exchange business with Austria is conducted through London and Berlin, but the demand for foreign money orders and mail remittances is considerable.* The quotations are given in cents per crown, advancing by steps of .01 cents; quotations are sometimes given 20.01, 20.01¼, 20.01½, 20.01¾, 20.02 cents.

A fluctuation of .01 cents amounts to about 50 cents on $1,000.

RUSSIA

50. *Russia.*—The Russian monetary system is based on gold (since 1899); the **monetary unit** is the gold Rouble (100 Kopecks) .86026 grammes .900 fine, worth 51.45 cents.

The silver rouble is .900 fine and weighs 19.9957 grammes.

Monetary Unit.—Rouble—100 Kopecks.

Paper Money.—Bank of Russia 100, 25, 5, 3, 1 Roubles (care should be taken in handling Russian notes as some excellent forgeries are extant).

Gold Coins.—Imperial (15 Roubles) 10 Roubles, Half Imperial (7½ Roubles) 5 Roubles, Ducat (3 Roubles).

Silver Coins.—1, ½, ¼ Roubles; 25, 20, 15, 10, 5 Kopecks. The ratio of gold to silver in present coinage is 1 to 23.2438.

Minor Coins.—5, 2, 1 Kopeck (copper).

Gold and silver are usually on a par with paper money.

Legal Tender.—The Rouble, 50 Kopeck and 25 Kopeck pieces are legal tender among private persons to an amount not exceeding Roubles 25 and the other silver coins to the amount of Roubles 3. The Government accepts these silver coins to any amount in all pay-

* Section 22.

ments, except for customs duties, the amounts accepted for the latter purpose being governed by custom house regulations. Minor coins are legal tender to the amount of Roubles 3. Gold coin of full weight is legal tender for any amount.

There is very little call in Canada for Russian exchange, except by immigrants in remitting home and for that purpose foreign money orders and mail remittances are used.*

Quotations are given in cents per rouble, advancing by .01 or .05 cents. A fluctuation of .01 in the rate amounts to about 19 cents on $1,000.

SCANDINAVIAN UNION

51. *Scandinavian Union.*—This monetary union was formed by **Norway, Sweden** and **Denmark** in 1875. The monetary unit is the gold crown or krone (.44803 grammes .900 fine) worth about 26.8 cents. The coinage of gold is free and the gold coins of the three countries have unlimited lawful currency throughout the Union.

Monetary Unit.—Krone (crown)—100 Ore. The plural of Krone is Kroner. In Sweden the unit is known as Krona, plural Kronor.

Paper Money.—Notes are issued in denominations of 1,000, 500, 100 50, 10, 5 Kroner by the Norges Bank, Norway; the Sveriges Bank, Sweden, and the National Bank of Denmark, Denmark.

Gold Coins.—20, 10, 5 Kroner, 10 Kr. gold piece 4.4803 grammes .900 fine.

Silver Coins.—2, 1 Kroner; 50, 40, 25, 10 Ore, legal tender to Kr. 20.

Minor Coins.—5, 2, 1 Ore (bronze) legal tender to the amount of Kr. 1.

Stamp Duty.—1/20% Norway and Sweden only. Denmark 1/60 to 1/50%, according to amount.

Quotations are on a basis of cents per crown, advancing .01 cents and sometimes by .00¼ cents.

A fluctuation of .01 cents in the rate amounts to about 49 cents on $1,000.

* See Section 22.

CHAPTER VIII.

SUNDRY EXCHANGES

THE GREAT EXCHANGE CENTRES

52. *The Great Exchange Centres.*—The five great exchange markets of the world are London, Hamburg, New York, Paris and Amsterdam, and a knowledge of these should prove sufficient for all ordinary exchange transactions. London is the most important centre, and acts as an international clearing house where exchange on every country in the world can be purchased or sold, hence a draft on London is assured of a ready market the world over; the same is true of drafts on the other cities mentioned, though to a much less degree.

If a Canadian importer, for instance, desires to purchase tea in China, silk in Japan, or wool in Australia, he arranges through his bank, as explained in Section 24, for a commercial letter of credit on London, in favour of the consignor in China, Japan or Australia. If, on the other hand, a Canadian exporter sells goods in other countries, he requests his customers to open a credit for him in London or some other large centre. All large transactions, therefore, are financed through the principal exchange centres by means of letters or other instruments of credit, and direct exchange between Canada and other foreign countries is more or less of a minor character.

To give some idea of the enormous volume of the business, the needs of which have called into existence the modern system of foreign exchange, we give below the exports and imports of the principal countries of the world for the year ending December 1913:—

	Imports (omitting 000,000)	Exports (omitting 000,000)
Great Britain....	$3,080	$2,371
Germany........	2,545	2,132
United States....	1,717	2,311
France..........	1,589	1,296
Austria.........	726	591
Canada.........	670	356
Russia..........	603	782
Denmark..	215	156
Sweden.........	185	177
Netherlands.....	144	188
Norway.........	141	87

As all these exports and imports must be paid for either by shipping gold or by "exchange," the importance of the system becomes apparent.

It will be noted that the imports of the above countries, except those of the United States, Russia and the Netherlands, exceed the exports. Such excess does not necessarily place a country at a disadvantage as in the case of old countries the difference is probably

made up by what are called "invisible" exports, that is of money invested abroad, and goods are imported to pay the interest on these investments and sometimes to repay the principal. In the case of a young country like Canada, however, the excess of imports probably consists of goods purchased by money borrowed abroad for capital expenditure, and the bulk of them will be found to be material for railways, factory plants, public works, etc.

MONEYS USED IN THE DIFFERENT COUNTRIES OF THE WORLD

53. *Moneys used in the different countries of the world.*—The particulars of coins given in Table V. have been compiled from various publications, and while they are sufficiently accurate for general information, they are not intended for use in commercial transactions.

Nearly all coins contain alloy (inferior metal) to increase their durability, and while their purchasing power in the home country is the same for both large and small sums, in other countries and in exchange transactions their bullion value only is considered. The weight and fineness of coins of the same denominations vary in different countries, and the coins are of different exchange values.

In estimating the value of gold or silver coins, therefore, the basis must be the weight of pure metal in the coins taken at the current price of gold or silver. The average price of bar gold per ounce .900 fine, is $18.605, while the price of an ounce of silver varies from 50 to 60 cents. An ounce contains 480 grains of pure silver, and an ounce standard contains 444 grains of pure silver.

Token money is that part of the money of a country which circulates not by reason of the intrinsic value of the metal it contains, but by reason of the legalized relation which it bears to the standard monetary unit of the country. It is also called subsidiary money. All standard gold coins are intrinsically worth the amounts named upon them, but the silver and copper coins are not, the bullion value of a silver coin being about half of its face value. The difference is called seigniorage and accrues to the government as a profit.

Sterling, etc.—Although sterling is the current money in South Africa, Australia, British West Indies and other colonies and possessions of Great Britain, that fact does not give the holder of a sterling draft on London the right to ask for the full amount specified thereon. That amount will be paid at the **current rate** of exchange for sterling drafts on London.

A similar remark may also be made regarding the colonies and dependencies of other countries which use the same currency (francs, etc.) as the respective mother country. In such places drafts are paid at the **current rate** for purchasing exchange on the capital of the respective mother country.

Sterling and Dollars in West Indies.—Although both sterling and United States dollars are accepted and used in the British West

Indies, sterling is the **legal currency**, and the proclaimed rate of exchange \$4.80 to £1 (that is 2 cents = 1 penny).

Monetary Units in Europe.—The dinar, drachma, lei, leva, lira, markka and peseta are coined after the model of the French 1 franc piece (see Latin Union) and are of the same weight, fineness and value.

Monetary Units in South America, etc.—The boliviano, gourde, peso, piastre, sol, sucre and venezolana in use in Central and South America are coined on the model of the French 5 franc silver piece.

In the case of countries in Asia or South America where a silver unit exists, the exchange value of coins is subject to wide fluctuations. In several of these countries the monetary system is in a state of transition from a silver to a gold standard. In South American countries large quantities of paper money (usually worth much less than the face value) are in circulation.

AUSTRALASIA

54. *Australasia.*—Australasia uses the same monetary system and coins as Great Britain, but the latter are of a different design. Bank notes are issued by the Commonwealth Bank of Australia.

As the imports into Australia from Great Britain are greater than the exports, and payments made in London relieve the Australian banks from the expense of transferring gold to Great Britain, Australian banks are willing to accept less than the face value of a draft drawn on an Australian bank if cover is sent to their London office at the time the draft is issued by the Canadian bank. Thus a draft for £100 issued on Melbourne can be covered by remitting (say) £99. 15s. 0d. to the London office of the Australian bank at the time the draft is issued. Conversely in the case of a draft for £100 drawn by an Australian bank on a Canadian bank, the Canadian bank would draw on the Australian bank's London office for £100 plus commission.

Cable transfers are treated in a similar manner to drafts.

The Australian and New Zealand banks have an agreement amongst themselves as to the commission rates to be charged on the various classes of business. The rates quoted by any one bank are therefore applicable to all the other banks.

There is no direct rate of exchange between Australia and Canada since the settlement is usually made in London, and the premium in Australia on London exchange is very steady. As a matter of interest the following were the rates quoted in the "Economist" on 14th July, 1914:—

London on Australia:—

	Buyers	Sellers
Demand	£98¾	par
Cable	......	£100¼
30 days	£98¼	......

Australia on London:—

Cable	......	£100¾
Demand	£99⅛	£100
30 days	£98¾	£99⅝

INDIA

55. *India.*—

Monetary Unit.—Rupee (180 grains silver .925 fine) = 16 annas = 64 pice = 192 pies.

Paper Money.—Government notes in denominations of 5 rupees and upwards.

Gold Coins.—Rupees 30 (Double Mohur), rupees 15 (Mohur), rupees 10.

5. Gold is not used extensively, although large sums are hoarded.
1 lac = 100,000 rupees.
1 crore = 100 lacs = 10,000,000 rupees.

The Mohur is no longer coined and is rarely seen in India.

Silver Coins.—1, ½, ¼, ⅛ rupee, 2 annas.

Minor Coins.—1/16 rupee (nickel), Double Pice (½ anna), Pice (¼ anna), ½ Pice (⅛ anna), Pie (1/12 anna) copper or bronze.

Legal Tender.—The rupee and divisional silver pieces are unlimited legal tender. The sovereign is legal tender for Rupees 15.

The Indian States of Dewas, Nepal, Paduikota, Punjab and Sindh have a coinage of their own, but Indian coins circulate freely.

The silver system was superseded in 1899 by the gold standard system with an arbitrary rating of the rupee at 16 pence (32.44 cents) which is maintained by means of a gold redemption fund called the "Indian Gold Standard Reserve" accumulated in London for that purpose.

The exchange value of the rupee depends on the result of the harvest. In good years exchange rises above the fixed price of 16 pence per rupee; in bad years the Government maintains the rate of 16 pence per rupee by selling sterling drafts or telegraphic transfers on London against a fund in London called the **"gold standard reserve"** accumulated mainly for the purpose of maintaining the value of the rupee whenever the exchange turns against India.

SILVER STANDARD

56. *Silver Standard.*—The silver standard exists in countries where it is enacted by law that silver shall be the measure of value. China and its dependencies and some countries in South America are the exponents of this standard. The domestic trade of these countries is regulated by the bullion price of silver, but all outside transactions are based on gold, and in the end the value of silver is thus regulated by these international transactions. The number of silver using

countries is rapidly decreasing. With the exception of Japan and India, practically all Eastern nations use silver either in the form of coins or bars and the rates of exchange rise and fall with the price of silver. Owing to the violent variations in these rates, business is a highly specialized one and quotations and drawing facilities on the Orient are usually provided Canadian banks by one of the Anglo-Asiatic banks.

The following are the principal coins referred to in Table V. as being used in these countries:—

Name	fineness	grammes gross	grammes fine
British Dollar..............	900	26.9560	24.2612
Mexican Dollar............	902.7	27.073	24.4388
Maria Theresa.............	833⅓	28.0668	23.3889
Straits Settlements Dollar...	900	20.2177	18.1958
Indo China Dollar..........	900	27.000	24.300
China Dollar or Yuan	900	26.8567	24.171
India Rupee................	916⅔	11.664	10.692

Marie Theresa Dollar.—This is a trade coin (one without the obligation of redemption) minted at Vienna but not used in Austria. It is current with full legal tender value in Abyssinia, Arabia, East Coast of Africa, Eritrea, Oman, Persian Gulf countries, Tripoli, and countries of the Eastern Mediterranean and Asia Minor.

Mexican Peso.—This coin, also called "Mexican Dollar," is full legal tender in Hong Kong and China; it is preferred by the Chinese to the coins minted by themselves.

British Dollar.—This coin was created in 1894 in response to the great demand for currency in the far East. It is legal tender in Hong Kong and Labuan.

Indo-China Piastre.—This coin was introduced by the French Government to help commerce in her Asiatic colonies. It is modelled after the Mexican dollar, and is accepted as equivalent to the latter coin.

Straits Settlement Dollar is only coined for circulation in the Straits Settlements, it has a fixed value of 2s. 4d.

Trade Dollar.—A dollar coined by the United States to compete with the Mexican dollar in trade with China and the Far East. It had no statute within the United States, and has been withdrawn from circulation; any still outstanding have only a bullion value of about 50 cents.

China.—The tael, mace and candareen are simply denominations representing certain fixed weights of silver. The weights and value vary according to the location of issue. Actually there are no silver ingots of one tael; the ingots usually weight from 7 to 10 taels.

The Hai Kwan (or customs) tael is the most important. It is rated at 72 per 100 Mexican pesos.

The Shanghai tael weighs about $1\frac{1}{8}$ oz. of standard silver and is worth about 65 to 70 cents.

As a matter of comparison, the following table shows the weights etc., of the principal token or subsidiary silver coins of the gold standard countries, with their fixed values:—

		fineness	grammes gross	grammes fine	value
1	Brazil 2,000 reis......	900	20.	18.	$1.0926
2	Austria 5 crowns.....	900	24.	21.600	1.013
3	Holland 2½ florins...	945	25	23.625	1.0048
4	Canada 1 dollar......	925	23.3281	21.5784	1.
5	United States 1 dollar.	900	26.7301	24.057	1.
6	Latin Union 5 francs..	900	25	22.500	.9647
7	Scandinavia 1 crown..	800	15.	12.	.5359
8	Russia rouble........	900	19.9957	17.9961	.5145
9	India rupee..........	916⅔	11.664	10.692	.3244
10	Japan 50 sen.........	800	10.125	8.100	.2492
11	Great Britain shilling.	925	56.553	5.2311	.2433
12	Germany 1 mark.....	900	5.555	5.	.2381

The above figures are taken from "The Monetary Systems of the Principal Countries of the World" compiled by the Director of the United States Mint, 1913, the calculations being based on a gramme containing 15,432 grains.

THE PAPER CURRENCIES

57. *The Paper Currencies.*—Paper money issued by a Government, when adequately supported by gold reserves, is a most useful factor in the finances of a country, when not so supported it is likely to prove a curse in the long run, as all the countries that have tried it have found. Paper money which cannot be converted into cash at its face value, but which nevertheless must be accepted as representing the value printed upon it, is called **inconvertible** paper money. Paper currency of this kind is practically a non-interest earning loan forced upon the public, with the natural consequence that the more of it that is issued, the less probability there is of its ultimate redemption, and the more it depreciates in value. **Depreciation** means that its purchasing power as compared with that of gold has fallen, or differently expressed, that prices as expressed in paper money have risen. If it requires, for instance, 225 paper dollars to purchase 100 gold dollars, gold is at a **premium** of 125 per cent. and paper money is at a **discount** of 44.4/9%, or again, three hundred per cent. premium, means that for 100 gold dollars you would have to give 400 (300 plus 100) paper dollars.*

* In this connection the following problems will be found interesting:—

(1) The premium on gold is 300%; at what % discount is paper money?

Answer:— $\frac{300 \times 100}{300 \text{ plus } 100} = \frac{30,000}{400} = 75\%$ discount.

(2) Paper currency is at a discount of 75% as compared with gold; what is the premium on gold?

Answer:— $\frac{75 \times 100}{100-75} = \frac{7,500}{25} = 300\%$ premium

When the paper currency of a country depreciates, the exchanges fall in sympathy, for as foreign exchanges are on a gold basis, the premium on gold naturally extends to them. Depreciation, therefore, *stimulates* exports, and benefits those who have to receive money from foreign countries, but *checks* imports and adversely affects those who have to pay money to foreign countries. For instance, take the case of Brazil, when exchange is at 15 pence per milreis, an exporter would receive 16,000 milreis for a £1,000 draft on London, but with exchange fallen to 12 pence he would receive 20,000 milreis for the £1,000, a profit of 4,000 milreis, probably clear, as it is unlikely that his rent and other expenses in Brazil have increased. He has made a large profit out of the turn of exchange. On the other hand, an importer buys £1,000 worth of goods in England; he will have to pay, when exchange is at 15 pence, 16,000 milreis; but when exchange drops to 12 pence per milreis, he will have to pay 4,000 milreis more for his £1,000. Consequently the importer has to be constantly raising his prices to meet the fall in exchange, and the public in turn have to meet these increases and pay greatly enhanced prices for the necessaries of life, although their wages, salaries, etc., remain exactly the same.

The great modern experimenters of paper money currency have been the South and Central American republics, the majority of whom, though they are theoretically on a gold basis, are in reality sunk in the slough of inconvertible paper money, though there has been a tendency of late years on the part of the better governed republics, to put their currency and finances on a sounder basis. Among these may be mentioned Venezula, Uruguay, Peru, Ecuador, Costa Rica and Bolivia. The following countries are still on an inconvertible paper basis with a more or less fixed premium on gold:—

	Premium on gold	Value $100 gold	
Guatemala......	127.27%	$ 227.27	paper
Chili...........	84.6 %	184.60	"
Columbia.......	9,900. %	10,000.	"
Honduras.......	140. %	240.	"
Paraguay.......	1,400. %	1,500.	"
Salvador........	177.15%	277.15	"

Canada at present has very little business with these republics, and the few transactions it has are conducted through London or New York.

CHAPTER IX

FOREIGN EXCHANGE

Foreign exchange may be defined as a system by which one country adjusts its financial transactions with another country by means of bills of exchange and other credit instruments. Exchange operations, therefore, are based on the inter-cancellations of indebtedness; that is, the discharging of obligations without the transfer of actual money, namely, gold or its equivalent. By means of this process each country endeavours to pay for what it buys with what it sells and gold need not be shipped except in the case of a country which buys more than it sells.

The mutual indebtedness of two countries arises from a combination of the following:

Exports of merchandise

Foreign investments

Payments of interest and dividends to foreign shareholders.

Charges for transportation, insurance and commission paid to foreign corporations

Tourists' expenditures, etc.

Sometimes the balance that remains to be paid is in favour of one country and sometimes of the other. The exchange rates rise and fall accordingly within certain well-defined limits, namely, double the cost of shipping gold between the two countries. For instance, under normal conditions the cost of shipping a sovereign to *New York from *London is about two cents, and the mint par** of the pound sterling is \$4.86656 (\$4.86⅔), therefore when a lower price than 4.84½ is offered for a bill of exchange, it is cheaper to import gold from England, and when a higher rate than 4.88½ is asked for a bill of exchange it is cheaper to send gold to England.

The **export** of gold from New York to London implies:

1. That New York owes London (exchange is favourable to London and unfavourable to New York).

2. That bills of exchange on London have been eagerly sought for in New York in order to liquidate this indebtedness.

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*New York and London are used here to illustrate exchange conditions, but the remarks are equally applicable in a similar sense to other exchange centres, such as Paris, Berlin, Amsterdam, etc.

**The mint par between any two countries using gold for their standard coinage is found by comparing the standard coins of each, basing the calculations on the weight of the fine gold in each coin. A sovereign contains 113.0016 grains of fine gold, and the dollar 23.22 grains of fine gold. Therefore $\frac{113.0016}{23.22} =$ \$4.86656 is the value of the pound sterling, while $\frac{23.22}{113.0016} =$ £205484 or 4s. 1.316d is the par value of a dollar.

3. That the premium demanded by sellers in the form of a higher exchange rate exceeds two cents per pound and therefore it has become cheaper to buy gold in New York and export it to London.

Conversely the **import** of gold to New York from London implies:

1. That London owes New York (exchange is favourable to New York and unfavourable to London).

2. That bills of exchange on London have been offered freely in New York to absorb this balance.

3. That the discount demanded by buyers in the form of a lower exchange rate exceeds two cents per pound and therefore it has become cheaper to buy gold in London [illegible] New York.

Fluctuations in foreign exchange are of [illegible] importance to the business men buying or selling goods [illegible] high exchange rates favour the exporter while low rates favour the importer. With sterling exchange at 488½ for each pound nominally worth $4.86656 in goods, the exporter will receive $4.88½ in gold in New York, while with exchange low the importer will only have to [illegible] 4.84½ in New York for goods worth $4.86656.

From this it will be seen that when the supply of foreign bills is less than the demand, or fails altogether, it becomes advisable to export gold to pay the indebtedness. If, on the other hand, the supply of bills exceeds the demand, the credits abroad are collected by importing the gold. Banks and brokers in exchange in New York and London encourage the public to utilize their services for paying debts abroad, and in order that they may be able to do this also encourage people who have claims against others abroad to sell these claims to them so that the banks can thus set off sales against purchases. In other words, banks in this manner are both buyers and sellers of exchange. Should the New York banks, for instance, be called upon to sell more exchange on London than they are able to buy, they must provide funds to meet their withdrawals by exporting gold or by other means. As a rule gold shipments are avoided as much as possible and the required balance in London is often created by:

1. Buying exchange on other centres and sending to London for credit.

2. The shipment of securities to London to be sold or borrowed against.

*3. The use of finance bills.

These are the principal methods resorted to in an endeavour to avoid purchasing exchange at an unfavourable rate, and if, in spite of this the rate still remains unfavourable, the gold is then shipped.

It will thus be seen that foreign exchange operates as a clearing house between nations, and just as the banks in a town offset their

*See Chapter XVI.

debits and credits against each other and settle the final difference in gold, so nations offset their debits and credits against each other as far as they will go, and in the final analysis settle the difference in gold. In making the settlement between banks a central meeting place or clearing house as it is called, is found necessary, so similiarly in making the settlements between nations London has become the international clearing house.

It must not be overlooked, however, in studying international exchange that there are no definite settlement days adjusting all transactions to date, because the adjustment of international balances is a continuous process and, under normal conditions, hardly noticeable to the keenest observer, except at certain seasons of the year or as a corrective to some large and unexpected transaction.

CHAPTER X

RATES OF EXCHANGE

A bill of exchange is a commodity just like wheat and cotton and like them subject to the law of supply and demand and its price rises and falls accordingly. The rate of exchange must not be confused with the ratio at which one country will exchange money for the standard coin of another country. The latter implies the actual handling of cash, either in coin or bank bills, so many dollars or dollar bills for a sovereign and so many shillings for a dollar. If a man wants to change 100 sovereigns and has the British gold in Toronto or New York, the transaction would be based on this ratio, but if his sovereigns are in London, he would realize on them by selling to a bank or broker the "right" or cheque to draw these 100 sovereigns in London. If there is an active demand for sterling exchange, he would probably get a good price for his cheque on London; if, on the other hand, there was no demand for sterling and the supply of cheques was plentiful he would get a low price.

As already pointed out, the ratio between the gold coins of two countries does not vary because it is arrived at by comparing the amount of fine gold in the respective coins. The ratio of the dollar to the sovereign, for instance, is as 1:4.86656. Theoretically a single sovereign in New York is worth $4.86656, but practically this ratio holds good only for large amounts. If a customer asked a New York bank to change a sovereign, he would probably receive only $4.84 or $4.85 for it, the difference being retained by the bank as payment for its services and to cover the interest on the amount until it had collected sufficient sovereigns, say 1,000, to warrant the trouble of taking them to the United States *Mint, where they would be exchanged for $4.866.56.

It will be seen from this that the gold sovereign never depreciates in value. It is always worth par in New York and the gold eagle is always worth par in London. Now suppose the customer in New York, instead of wanting to change sovereigns wants to sell his own cheque on a London bank, say, for £1,000. How much wili he get for it? If he were in London he could get £1,000 in gold, but being in New York and wanting the money to use there he sells his "right" to obtain £1,000 in gold in London, as represented by his cheque, and the price he obtains for his £1,000 cheque depends on the demand for sterling exchange. If New York wants money to use in London, it will be willing to give par or better for the right to obtain £1,000 there; if, however, New York already has more money in London than it requires for use at the moment it will give less than par.

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*The United States Mint will always pay for English sovereigns at the rate of $18.949,182 per ounce. 1,000 sovereigns weigh 123,247.47 grains (480 grains to the ounce Troy). Working this out, we get $4,866.56 as the value of 1,000 sovereigns. As a matter of fact the Uuited States Mint would pay the bank 90% of this amount ($4,380) on delivery and the balance ten days later, less a small charge of four cents per $100 to cover melting expenses, thus the actual proceeds would be $4,864.61.

Similarly the British Mint will take gold eagles at £3:16:5½ per ounce, paying for them a fortnight after delivery without any charge. The Bank of England will pay for them on delivery but makes a small charge of about 1½d per ounce to cover the interest for 14 days at 4%.

The rate of exchange between two or more places either corresponds or tends to correspond. Thus, if New York funds are at 1/8 of 1% discount in Canada, Canadian funds will be at 1/8 of 1% premium in New York. The machinery which effects this result is simple. For instance, suppose exchanges between New York and Montreal are at par in both cities and that a large supply of bills on New York is suddenly placed on the Montreal market, forcing the exchange there down to 1/16 discount, a Montreal banker, finding over the wire that he can still buy Canadian funds at par in New York, instructs his New York correspondent to purchase and remit a draft on Montreal for $160,000, and he himself immediately purchases a draft on New York for a similar sum, which, however, costs him only $159,900. Both drafts reach their destination the next morning and practically pay for each other, the result of the transaction being that the Montreal banker has netted $100 profit.

Similarly, when sterling exchange is at a discount in New York, say at 4.85, New York funds in London will be at a premium, in other words you could purchase in New York the right to obtain a sovereign in London for $4.85, whereas for a sovereign in London you would only be able to obtain the right to $4.85 in New York, a dollar costing 49.50d. instead of 49.316d. the par value.

Let us suppose that the rate in New York, in response to a demand for sterling suddenly goes to par, and a New York banker, hearing from his London correspondent that New York funds are still at 4.85, cables him to sell $100,000 at that rate and as a result of this transaction the New York banker receives a credit in London of £20,618.55. At the same time he sells his own draft at par against this amount in London, in actual practice he would sell, say, a draft of £20,000, but for the sake of showing his profit let us presume that he sold a draft for £20,618.55. For this he receives $100,343.64 with which he pays the draft of $100,000 drawn on him in London, and thus makes a profit of $343.64 less cable charges and a small commission to the London banker.

The above examples illustrate how the exchanges automatically regulate themselves between two or more places, as it is obvious that under the influence of several such transactions marginal differences would rapidly disappear. The variations in the rates of exchange for the two cases cited is, of course, large for the purpose of illustration. In practice a very slight difference in the rates will encourage adjusting transactions of the kind which are commonly known as arbitrage transactions.

CHAPTER XI

RATES OF INTEREST

Reference has already been made to the fact that bills of exchange are a commodity and can be bought and sold like wheat, and like wheat are subject to the laws of supply and demand. If there is a strong demand for wheat and a small supply, prices rise accordingly, while on the other hand, if the supply is large and the demand poor, prices fall. This is also true with regard to bills of exchange, but in this case there is an additional factor to be taken into account and that is the rate of interest. It has already been shown that the difference between the prices or rates of exchange for long and short bills is the interest for the additional term or currency of the former. This would not materially affect the situation if the rates of interest were uniform all over the world, but rates of interest vary considerably between different financial centres and this difference has an important bearing on exchange. Under normal conditions, international money and credit circulate most freely in the most attractive channels and a rise in the interest rate in a foreign money market will accelerate the flow of outside capital to that point; while, on the other hand, a fall in the rate of interest will retard the flow. So, while demand and supply govern rates of exchange, the rates of interest at home and abroad react on these influences to govern demand and supply, their combined effect causing the rates of exchange to fluctuate from day to day as the floating capital of the world is attracted thus from one centre to another. In all exchange calculations the rate of interest is based on the current rate in the country on which the bill is drawn. The reason for this is obvious, as money can always be obtained at once for a good bill in the place where it is domiciled, subject to a deduction of interest at the prevailing rate. For instance, a 60 day bill of exchange, drawn on London, if sold there would be discounted at the London market rate. If the London rate happened to be higher than the New York rate, the New York banker would probably prefer to allow the bill to run to maturity rather than to discount it in order to use the proceeds in New York. If on the other hand, the London rate was lower, the New York banker would discount the bill and withdraw the proceeds for use in New York.

From the foregoing it will be seen that the London rate has a powerful influence over exchange rates. The higher the rate of discount the greater the disparity between the long and short rates of exchange on London because the latter is not affected to as great an extent, a short bill being payable on presentation, yet the effect of the rise in the rate of interest in London is immediately reflected in the price of any bill.

The movement of gold from one country to another, or even the probability of such a movement, is an important factor in determining the rates of exchange on the countries affected, and London, owing to the extreme sensitiveness of the Bank of England rate to gold movements, is particularly interested in its discount rate. Suppose,

for instance, on account of a low sterling rate New York commences to import gold from London. The Bank of England, seeing its stock of gold becoming too low, raises its official rate of discount, which is the term applied to the minimum rate at which the Bank of England will discount approved bills. The London market, whose rate is usually a little lower than the Bank of England rate, will probably rise in sympathy, but if it does not do so the Bank of England, by borrowing money itself in the open market, forces the rate up and the effect of dear money is soon apparent. The foreign money markets, in order to take advantage of the higher interest rate in London, will allow their balances to accumulate there for investment or will purchase bills on London. British merchants will decrease their imports and increase their exports so that the balance of payments gradually swings round again in favour of Great Britain. Exports of gold, therefore, cause sterling rates in New York and elsewhere to stiffen and if the high interest rate is maintained sufficiently long it will check the export and eventually induce an inflow of gold to London. The Bank of England reserves will again become normal and the rate will then be reduced. The importance of the Bank of England rate in controlling international exchange and gold movements cannot be over-estimated, and its effects are so far reaching that monetary conditions throughout the world are directly or indirectly influenced by it. The rate is fixed by the Directors of the Bank on Thursday of each week and though changes are made as infrequently as possible, the publication of the rate is always a matter of interest to the financial world. It has been said that the rate acts as a barometer of the financial conditions of the nations and any features of political or financial significance are reflected by its course. A. W. Margraff*, in pointing out the importance attaching to the fluctuations of the discount rate of the Bank of England, tabulates the various interests which are affected thereby as follows: –

1. Establishes the minimum rate at which the Bank of England will discount acceptable paper.

2. Fixes the rate of interest allowed by London joint-stock companies, on short deposits, since this rate is one and one-half per cent. under the Bank of England rate.

3. Determines the rate of interest allowed by London bankers on cash balances to the credit of foreign correspondents, keeping active accounts with them, in so much that this rate is usually ½ to 1% below the Bank rate.

4. Serves also to fix the rate of interest charged on cash overdrafts, on running accounts, as debit balances are generally subject to the Bank rate, or ½ to 1% above, according to agreement.

5. Establishes the open market discount rate in Great Britain at which private bankers, London joint-stock companies and

*International Exchange by A. W. Margraff.

discount houses will discount paper for local or foreign account, the rate ordinarily being from ¼ to ½% below the Bank rate.

6. Governs the "Retirement Rate of Discount" on documentary payment bills, which is the rate of interest rebated to the drawee, or acceptor of a documentary payment bill for the time from the date of retirement or prepayment to the date of maturity of the bill, this rate being ½% above the rate of interest allowed by London joint-stock companies for short time deposits, which rate is based on the Bank rate as above.

7. Affects the value of all international bills of exchange as an advance in the Bank rate either advances the rate of exchange for a demand sterling draft in a foreign country or depreciates the worth of a long time sterling bill, as the interest rate for credit balances and the discount rate for long time paper are indirectly dependent upon the Bank rate.

8. Has the power of protecting the gold reserve held by the Bank of England and of checking any protracted movements of gold importations by foreign nations, in so much as an advance in the Bank rate adjusts the rates of foreign exchange to a point where operations of this nature become unprofitable.

9. Invites and attracts the deposits of foreign banks with London correspondents as an advance in the Bank rate to a figure in excess of the earning capacity at home induces continental money lenders to seek the London market for investment of their funds.

10. Indirectly has a tendency to depress or advance the values of stocks listed on the New York Stock Exchange—an advance in the Bank rate causing a decline in stock values, and a reduction in the Bank rate usually having the opposite effect, because the values of stocks are largely dependent upon the monetary conditions obtaining in New York, and as New York bankers in periods of stringency, nowadays, resort to relieve the situation by issuing Finance Bills drawn upon English bankers, the Bank of England rate indirectly either facilitates or precludes their course of action.

The Bank of England is at all times fully prepared to make advances against satisfactory collateral, or re-discount approved acceptances at its minimum rate of discount. Facilities of this nature naturally create a feeling of stability and confidence among the English bankers, and the protection and assistance at their command in times of emergency enables them to conduct their business safely on a smaller cash reserve basis than is possible by bankers in countries without similar protection.

CHAPTER XII

ARBITRAGE

Arbitrage, or indirect exchange as it is sometimes called, is thus defined in the Century Dictionary: "The calculation of the relative value at the same time at two or more places of stocks, bonds or funds of any sort, including exchange, with a view to taking advantage of favorable circumstances or differences in payments or other transactions." The definition should also have included gold and, in a general sense, any other commodity. For instance, wheat may be sent from a place where it is relatively cheap, to a place where it is relatively dear, this is arbitraging in wheat; high prices in one market inducing shipments from markets with low prices and thus tending to equalize prices. In the preceding section we have shown by simple illustrations the manner in which the exchange rates between two places are almost automatically adjusted and similar influences are brought into operation to synchronize the exchange rates the world over. There is thus a certain sympathy or relation between all foreign exchange quotations. The quotations in New York, for instance, for exchange on Berlin or Paris are largely influenced by the price of sterling exchange. If the price of marks should fall in New York to a point where there would be a profit in an arbitrage transaction, the demand for drafts on Berlin by those who wish to make this profit would almost immediately force the mark quotation up again. Similarly New York, whilst a debtor to England with consequent high sterling rates, may be the creditor of France or other countries in Europe and drafts on these countries are remitted to London for credit and thus tend to improve (i.e. lower) the rate of sterling exchange.

Arbitrage transactions are confined entirely to large financial centres such as London, New York and Paris and require expert knowledge and a close study of financial conditions, as it is essential that the arbitrageur should be in daily, if not hourly, touch with the varying conditions of the foreign money markets and their exchange quotations and keep in touch with his foreign correspondents by cable as to his intention so that they will be prepared to carry out a transaction without delay.

To give a concrete case of simple arbitrage we will suppose a banker in New York has the following date before him:-

London cheque rate in New York	\$4.8560 per pound
Paris cheque rate in New York	Fcs. 5.16$\frac{7}{8}$ per dollar
Paris cheque rate in London	Fcs. 25.20 per pound

A brief calculation or a glance at his table of *parities shows him that

*A parity is the price at which a bill should be quoted in order to compare with the quotations for similar bills elsewhere. For instance, with the Paris cheque rate in London at 25.20 and the cheque rate on London in New York at 4.8560, the New York parity on Paris would be 5.1895 as against the actual rate above of 5.16$\frac{7}{8}$, showing an opportunity of arbitrage profit of 2.07 centimes per dollar (about 40 cents per \$100). 40 cents per \$100 on \$48,754 56 = \$195 as compared with the actual profit shown on the transaction of \$194.56.

there is an opportunity for a profitable arbitrage in francs between London and New York. He therefore sells a draft on Paris for Fcs 252,000 at $5.16\frac{7}{8}$ and with the proceeds buys a draft for £10,000 at 4.8560 per pound, at the same time cabling his London correspondent to purchase a draft for Fcs 252,000 at 25.20 per pound or better, and send it to Paris to the credit of his account there. This purchase costs £10,000 and is provided for by the draft for the same amount remitted from New York. The banker's position is now as follows:—

Sale of francs 252,000 at $5.16\frac{7}{8}$	$48,754.56
Purchase of draft for £10,000 at 4.8560 to cover purchase of Fcs 252,000 in London at 25.20	48,560.00
Profit	$194.56

Without using any of his own capital and without any expense except the cost of a cable and a small commission to his London and Paris correspondents, the banker has made a profit of over $190. The result of this and similar transactions made by other New York bankers at the same time would be to lower the New York rate for francs by increasing the supply and to raise the London rate for francs by absorbing the supply, thus tending to equalize rates all round.

The above is an example of arbitrage in its most simple form, but is typical of transactions that are being continually made. The banker might have found it more profitable to have provided cover for his draft on Paris by remitting marks to Berlin and purchasing his francs there, or he might have instructed his London correspondent to purchase and remit a draft to Berlin with instructions to the Berlin bankers to remit francs to Paris. In the first instance, he simply substitutes Berlin for London in the transaction, but in the second instance he would operate both through London and Berlin, four places are involved, and the transaction is known as compound arbitrage.

The study of arbitrage transactions is both interesting and instructive and the following example will bring out some of the underlying principles more clearly:

Problem: It is desired to transfer $100,000 from New York to London on the basis of the data given in the first column. Which method of remittance should be selected?

It is first necessary to bring every quotation to a common form; for example, how many dollars equal £1. Care must be taken to bring quotations for long bills up to a cheque basis, allowing for stamps, etc. The lowest number of dollars will be the cheapest method.

	Factors	*Calculation	$ Price of £1 Cheque (Parity)
A	Berlin cheque in N.Y., Mk. 4 =95c. Berlin cheque in London, £1 = Mk. 20.5	$x = £1 cheque £1 = 20.5 Mk. M. 4 = .95 x = $4.86 87	$4.86.87
B	Cheque ,N.Y. in Berlin $1 = Mk. 4.21 Cheque Berlin in London £1 = Mk. 20.50	$x = £1 cheque £1 = Mk. 20.5 M4.21 = $1 x = $4.86 93	$4.86.93
C	New York rate on Vienna, 20.30 cents per kronen... Vienna cheque rate on London, 240.17½ kronen per £10........	$x = £1 £10 = 240.17½ K. 1 = 20.30 cents £10 = $48.75.5	$4 87.55
D	London cheque in N.Y. $4.87.60......		$4.87.60
E	Cable transfers to London in New York $4.8795......................... London discount rate 3%	$4.8795 less .0028 (7 days' interest 3%)	$4.87.67
F	London 60 day cheque N.Y. $4.85......	$4.85 plus .0251 (63 days' interest 3%) and stamps .0024	$4.87.75
G	Cheque N.Y. in Paris $1 = Fcs 5.16¼ Cheque Paris in London £1 = Fcs 25.20	$x = £1 cheque £1 = 25.2 fcs. F.5 1625 = $1 x = $4.88.13	$4.88.13
H	Paris cheque in N.Y., $1 = Fcs 5.15⅝.... Paris cheque rate, London, £1 = Fcs.25.20	$x = £1 cheque £1 = 25.2 fc.chq. F.5.15625 = $1 x = $4.88.72	$4 88.72

Most of the calculations in arbitrage transactions can be put in the form of simple equations and require only correct reasoning for their solution. A quick though mechanical method of calculation is **chain rule**, and consists of arranging the terms of the exchanges in the various currencies under consideration in such a manner that the required equivalent is easily obtained. A study of the examples of "chain rule" in the above column will make the method clear:—

Take the Berlin rate (A)

How many x = b	$x = £1
if b = c	£1 = 20 5 marks
and c = d	Mks. 400 = $95
and d = 1x	

$$x = \frac{1 \times 20.5 \times 95}{1 \times 400} = \$4.86875$$

The last term is always in the same currency as the unknown quantity or first term. It will be noted that these equations are arranged in such a manner that the right hand of the first equation (b) is identical with the denomination of the left hand side of the second equation (b) and so on, and the denominations follow each other like the links of a chain, hence the name. The value of the unknown quantity (x) is then taken as a fraction, the quantities on the right hand side forming the numerator and those on the left hand side, the denominator. The product of the numerator divided by the product of the denominator will give the required answer. "Chain rule" is applicable to all kinds of exchange and mercantile calculations.

How many dollars (x)	= £1
If the weight of £1	= 123.274 grains standard gold
If 12 grains of standard gold	= 11 grains of fine gold
And if 232.2 grains of fine gold	= \$10

$$x = \frac{1 \times 123.274 \times 11 \times 10}{1 \times 12 \times 232.2} = \$4.86656$$

A study of the above calculations shows that the cheapest method of remittance would be through Berlin (A), a pound costing \$4.86.87. The transfer could be made either by forwarding a cheque on Berlin to London or by instructing the Berlin correspondent to draw on New York in favour of London. The sterling equivalent of \$100,000 on this basis would be £20,539:3s.0d.

The dearest method of remittance is via Paris, the difference between the Paris and Berlin rates being 1.85 cents per pound or \$375 on a transfer of \$100,000. The sterling equivalent of \$100,000 on this basis would be £20,461:6s.0d. It should be noted that as the Paris method is the dearest **remittance** it is the cheapest return and would therefore be selected for the transfer of money from London to New York.

CHAPTER XIII

GOLD SHIPMENTS

The cost of a shipment of gold between any two countries can only be estimated, as it varies with the size of the shipment and the facilities and knowledge possessed by those who undertake it. Sometimes special concessions are offered in order to encourage gold imports into a country, and these materially reduce the expense of the shipments by eliminating the loss of interest while the gold is in transit. It is impossible, therefore, to give an exact figure, but relatively speaking, the gold points for sterling exchange vary from 1½ to 2 cents per pound sterling. Gold shipments are made to and from London and New York in several forms:—

	Value in New York per Ounce	Value in London per Ounce
1. Fine gold bars..........	$20.671835	84.95416s.
2. Gold bars (900 fine)... 3. Eagles (900 fine)......	18.60465	76.458744s.
4. Standard gold bars, (916⅔ fine)........ 5. Sovereigns...........	18.949182	77s. 10½d.

The Royal Mint in London pays the above prices a fortnight after the gold is delivered to them, or the Bank of England will pay immediately on delivery at the rate of 77s. 9d. per pound standard, the difference of 1½d. corresponding to about 4% interest on the fourteen days' delay exacted by the Royal Mint. The United States Mint in New York pays 90% of the above prices on delivery of the gold, and the remaining 10%, less a small melting charge of 4 cents per $100, a few days later when the melting and assaying have been completed.

Numerous examples of gold shipments can be found in any book of foreign exchange, but the following examples of shipments made from London during the year 1915 are of interest:—

Shipment of £100,000 in sovereigns from London to New York:—

September 29, 1915, shipped from London	
October 12, 1915, 90% paid by Assay Office in New York..	$435,500.00
October 18, 1915, 10% paid by Assay Office, representing 25,613.96 oz. standard gold at $18.949-182 per ounce...........................	49,867.53
	$485,367.53

Forward		$485,367.53
Less: Assay charges	$ 27.04	
Interest at 3½% for 13 days on $435,500	542.30	
Interest at 3½% for 19 days on $49,867.53	90.83	
Freight and insurance	6,543.82	
		7,203.99
		478,163.54
£100,000 at cable rate on Sept. 29th, 4.73¼		473,250.00
Net profit on the transaction		$ 4,913.54

Delivery of the sovereigns was taken by tale and not by weight, consequently, owing to the presence of short weight sovereigns, the shipment only weighed 25,613.96 ounces instead of 25,682.18 ounces had they been full weight, and only netted at the Assay office $4.85367 per pound, instead of $4.86656 or a loss of 1.89 cents per pound. Even with this handicap the shipment netted a handsome profit.

Shipment of standard bar gold from London to New York:

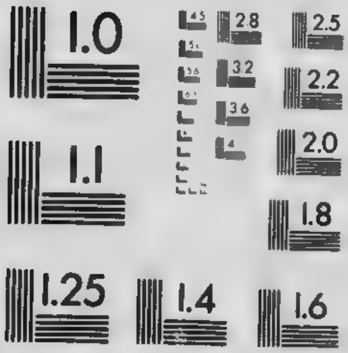
September 1, 1915, 5,282.157 ounces standard gold purchased at 77s. 11d. per ounce		£20,578 8 1
September 10, 1915, 90% of value of above paid by Assay office in New York on delivery		$ 89,000.00
September 14, 1915, balance 10% paid by Assay office		11,097.18
Total amount paid by Assay office for the above bars, assaying 4842.20 oz. fine gold at $20.671835		$100,097.18
Less: Assay charges	15.59	
Freight and insurance	1,389.94	
Interest at 3½% for 9 days on $89,000 (Sep. 1-10)	77.00	
Interest at 3½% for 13 days on $11,097.18 (Sep. 1-14)	13.81	1,496.34
Net proceeds received in New York		98,600.84
£20,578. 8s. 1d. at cable rate Sept. 1, $4.56		93,837.62
Net profit on transaction		$ 4,763.22

Standard gold at 77s. 11d. per ounce is equivalent to $4.86394 per pound, the net cost of £1 was $4.79148 with cable at $4.56 or a net profit of 23.148 cents per pound.

The following description of a shipment of $1,000,000 from New York to London is given in Johnson's "Money and Currency" and will serve as an example of a shipment of gold made under normal conditions:—

MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



APPLIED IMAGE Inc

"During the last quarter of the nineteenth century the cost of shipping gold from New York to London fell from three to two cents per pound sterling. The charges for freight and insurance both declined, while the increased speed of transatlantic liners reduced the loss on account of interest.

"The following figures, showing the cost of shipping $1,000,000 in gold from New York to London, were furnished by the representative of one of the largest New York banking houses:

Invested in fine bars, 23,200,000 gr. (48,375 oz.)	$1,000,000.00
Assay office premium on bars, 4c. per $100	400.00
Freight, 5/32 per cent	1,562.50
Insurance, 1/16 per cent	625.00
Packing and cartage	70.00
Total outlay	$1,002,657.50

"The Bank of England's "price" of gold varies from 77s. 9½d. to 77s. 10½d. per ounce, English standard, 916⅔ fine. The mint coins an ounce of gold, English standard, into 77s. 10½d.; but the Bank of England, with which it is the custom of bullion dealers to deal, usually pays a fraction less than this sum, thus saving itself from loss of interest while the bullion is being coined. It is assumed below that the bank pays 77s. 10d. per ounce.

48,375 oz. fine=52,772.7 oz., 916⅔ fine	
52,772.7 oz. at 77 s. 10 d.	£205,374
Deduct sundry expenses	4
Net receipts in London	£205,370
Cost of sovereign (1,002,657.50÷205,370)	$4.8822
Mint par in United States	4.8665
Cost of shipment per sovereign	$ .0157

"The reader will notice that no loss on account of interest is included in the foregoing. The New York banker who furnished the figures held that no such item was involved, for he sold sterling exchange as soon as he made a shipment, and so was never out of money in consequence. If we include interest for ten days at 3 per cent. ($835.54), we raise the cost of the shipment to $.0197 per sovereign.

"The Bank of England usually pays per ounce for American gold coin 77s. 5d., such coin being only 900 fine. As the Treasury Department charges a premium for gold bars, it would be cheaper to ship coin than bars, were not the coin likely to be underweight from abrasion. Bullion is taken by weight and disposed of by weight; but coin is taken by tale and disposed of in London by weight. The premium charged for gold bars is to a certain extent offset by the finer assay in England; the assay in the United States is on the basis of progressions of one fourth, while the assay in England is in decimals. Coin, being

packed in bags, is liable to some loss from abrasion in transit. One of the largest New York shippers says he figures on a difference of \$.30 per \$1,000 in favor of gold bars.

"According to another large bullion dealer in New York, the cost of a shipment is even less than is shown above. He gives the items as follows: premium on bars \$.40 per \$1,000; freight, 1/8 of 1 per cent.; insurance \$.50 per \$1,000; cartage, \$1 per keg of \$50,000; packing \$1.50 per keg of \$50,000. On the basis of these charges, allowing for ten days' interest at 3 per cent., the cost of a shipment of gold is \$.0174 per sovereign."

Reference is made elsewhere to the assistance rendered by the Bank of England in easing the abnormal exchange situation, at the beginning of the war, by the establishment of a depository for gold in Ottawa, and thus permitting shipments of gold from the United States to the credit of the Bank of England in Ottawa, without the risk and expense of ocean shipment in time of war. The minimum transaction was established at \$20,000, shipments to be accompanied by a statement that the amount was to be held in trust for the Bank of England by the Minister of Finance and Receiver-General of Canada, Ottawa. On the gold being received and checked in Ottawa, the Bank of England was advised by cable of the amount and to whom the proceeds were to be paid in London under this arrangement. Gold bars were accepted by the Bank of England in Ottawa at a fixed price of 77s. 6d.* per ounce standard (\$4.89 per £1) and United States eagles at a fixed price of 76s. 0½d.† per ounce (\$4.8930 per £1). Under normal conditions the Bank of England pays in London 77s 9d per ounce for standard bar gold (or at the rate of \$4.8744 per £1) and

* The value of an ounce of standard gold at the Royal Mint, London, is £3: 17: 10½ (£3.89375 or 77.875s) and the value of an ounce of standard gold at the United States Mint is \$18.949182, and the value of the sovereign in terms of dollars can be determined by a simple sum in proportion:

If £3.89375 is worth \$18.949182, how much is £1 worth?

$$\frac{18.949182}{3.89375} = \$4.86656$$

From this may be deduced that \$18.949182 divided by the London price per ounce for standard gold will give the equivalent rate £1. London paid £3: 17: 6 (£3.875) per ounce for standard gold in Ottawa, therefore

$$\frac{18.949182}{3.875} = \$4.8901$$ the equivalent per £1. The same result would be obtained by dividing 378.98364 by 77.50 shillings.

† The value of an ounce of mint or eagle gold (9/10 fine) at the Royal Mint is £3:16:5½ (£3.822937 or 76.45875 shillings) and the United States mint pays \$18.60465 per ounce for bar gold nine-tenths fine and therefore

$$\frac{18.60465}{3.8229} = \$4.86656$$ per value of £1.

London paid £3.802 for eagle gold in Ottawa, therefore

$$\frac{18.60465}{3.802} = \$4.8932$$ the equivalent rate per £1.

From this it will be seen that \$18.60465 divided by the London price for mint gold will give the dollar equivalent. The same result would be obtained by dividing 372.093 by the price in shillings.

buys United States eagles at about 76s. 4½d. per ounce (or at the rate of $4.8719 per £1) and the difference between the Ottawa and London prices of 3d or 4d per ounce was most reasonable considering it would barely cover the cost of shipment to London under normal conditions.

No definite figures are obtainable as to the total amount deposited in Ottawa by United States bankers under this arrangement, but it has been estimated at $110,000,000; nor are particulars available as to the dates on which the gold was returned to New York after sterling exchange became favourable to the latter. The greater part of the deposit, of course, was shipped to New York from time to time on account of the Bank of England itself, though some of it was released to London bankers and New York bankers against payments made in London.

For instance, in the beginning of June when cables were $4.78875 the Bank of England released **eagles** in Ottawa against payment in London at the rate of 77s. 6½d. per ounce, equivalent to the rate of $4.7985,* and at the end of June with cables at $4.7725 **standard gold** bars were released at 79s. 1d. per ounce, equivalent to the rate of $4.7922.**

At first glance the above transactions do not appear to be very profitable to the Bank of England as it paid $4.89 for **standard gold** in August, 1914, and sold it at $4.7922 in June, 1915, while **eagles** were sold at $4.7985 which cost $4.8930, but we must remember that these quotations are **movable exchange** (dollars and cents per pound) to London, and consequently the Bank of England followed the old rule "Buy high, sell lower,"† and practically makes a profit of ten cents per pound sterling.

To make this clear let us take the hypothetical case of a New York banker who transferred $10,000 to England via Ottawa in August, 1914, and transferred it back in June, 1915.

Aug. 13, 1914.—For the £10,000 paid to his account in London he delivered in Ottawa in full weight **eagles**	$48,930
June 5, 1915.—For £10,000 deposited in the Bank of England, he will receive at Ottawa in eagles......	$47,985
Gain to the Bank of England of....................	$ 945

Had the transfer been made by cable at 4.78⅞ the banker would only have received $47,887.50, so the Bank of England saved him $97.50 on the transaction.

The actual returns from several shipments made to New York from Ottawa on London account during the summer of 1915 are of interest.

*372 093 ÷ 77 54'7
**378 98364 ÷ 79 083
†See Sections 5 and 90.

1. Purchase of **eagles** in London by arrangement with the Bank of England to release by cable the equivalent in Ottawa for shipment to New York:

June 2, 1915—11,666.915 ounces of **eagles** purchased at 77s. 6½d. per ounce ($4.7985 per £) delivery in Ottawa for shipment to New York			£45,233 12 0
3 days' interest at London call rate, 2%, $35.57			7- 8-7
Total cost in London			£45,241- 0- 7
June 5, 1915—Amount received in New York $217,090		$217,090	
(Average weight $10,000 eagles, 537.423 ounces)			
Less charges, express, at 75c.	$162.90		
Custom fee	2.10	165	
Sterling equivalent of		$216,925	
at 4.78⅞ rate on 2nd June in London for cable transfer			£45,298 18 0
Net profit on transaction			£ 57 17-5

The Bank of England charged for the gold at the rate of $4.7985 per pound, the net cost delivered in New York was $4.79487 per pound, and the net amount realized by sale of cable in London was $4.78875, yielding a net profit of .00612 per pound or $61.20 per £10,000. In other words, each dollar cost the purchaser 4s. 2.053d., which he resold at 4s. 2.117d. or a profit of about one-sixteenth of a penny per dollar.

2. Purchase of **bar gold** in London, by arrangement with the Bank of England to release by cable the equivalent in Ottawa for shipment to New York:—

September 23, 1915.—10.988.101 ounces of **standard bar gold** purchased at 80s. 1½d. per ounce ($4.73 per £) delivery in Ottawa for shipment to New York	£44,021- 1-5
Interest at 4½% for five days (Sept. 23-28)	27- 2 9
Interest at 4½% on £996-11-0 ($4,693.75 at 4.71) for seven days	17-3
Total cost in London	£44,049- 1-5

Forward		£44,049 1 5
September 28, 1915.—Paid by U.S. mint on delivery	$203,500 00	
October 5, 1915. Balance, less assay charges, $22.27.	4,693 75	
Net amount from U.S. mint (being at the rate of $18.949182 per ounce)	$208,193.75	
Less express charges, etc	150 05	
	$208,043.70	
Sterling equivalent at 4.71 cable rate on September 28th, in London		£44,168-14 7
Net profit		£ 119 13 2

The Bank of England released the bars at the rate of $4.73, the net cost of same delivered in New York was $4.7228, and the net amount realized by the sale of a cable on London was $4.71 per pound, yielding a net profit on the transaction of 1.28 cents per pound.

CHAPTER XIV

LONDON THE INTERNATIONAL CLEARING HOUSE

London has been for centuries the commercial Clearing House of the world. This is due not only to its central situation, its free trade and its immense mercantile navy, but also because it provides facilities of such magnitude and of such entire efficiency for the final settlement of exchange operations, that drawers or negotiators of bills in every quarter of the globe give preference to sterling over any other form of exchange. It has been estimated that nearly 90% of all letters of credit issued throughout the world are drawn in English money. Lloyd George, in commenting on the unique and commanding position of Great Britain in international trade and the consequent serious responsibility placed upon her at the outbreak of the war, says:

*"We had not merely our own business to run; we were an essential "part of the machinery that ran the whole international trade of the "world. We provided the capital to raise the produce; we carried half "the produce, not merely of our own country, but of the whole world. "More than that, we provided the capital that moved the produce "from one part of the world to another, not merely for ourselves, but "for other countries.

"I ask anyone to pick up just one little bit of paper, one bill of "exchange, to find out what we are doing. Take the cotton trade "of the world. The cotton is moved first of all from the plantations, "say, to the Mississippi, then it is moved down to New Orleans; then "it is moved from there either to Germany or Great Britain or else- "where. Every movement there is represented by a paper signed "either here in London or Manchester or Liverpool; one signature "practically is responsible for the whole of those transactions. Not "merely that, but when the United States of America bought silk or "tea in China the payment was made through London. By means of "these documents accepted in London, New York paid for the tea that "was bought from China. We were transacting far more than the "whole of our own business; we were transacting half the business "of the world as well by means of these paper transactions. What "is also important to establish is this: that the paper which was issued "from London has become part of the currency of commerce through- "out the world.

"It is remarkable how the whole of this huge business is done "with very little transfer of gold. London last year received £50,000,- "000 in gold and paid out £45,000,000. All the rest was paper. "What happened? All this fine, delicate paper machinery crashed "into a great war affecting more than half, and very nearly two-thirds "of the whole population of the world. Confusion was inevitable, "and undoubtedly there was very great confusion. It was just "as if one gave a violent kick to an ant-hill. For a short time there

*Speech at the House of Commons, November 27th, 1914.

"was much bewildering consternation in all the marts and exchanges "in the world. The top of the ant-hill was off, and for a moment there "was great fright. All the material was there, but there was a very "considerable panic, because war had never been waged by this country "or any country in such conditions before."

Since the beginning of the war, there has been a great deal of discussion in the financial papers as to the effect of the war on London's position as a financial centre for the world. It is, of course, natural that the serious interruption in shipping, commerce and exchange through the world would minimize for the time being London's supremacy, especially when the stupendous task of financing not only her own war munition requirements but those of her allies devolves upon her. There is no question that at the end of the war, New York's position as an exchange centre will be much enhanced, but not necessarily at the expense of London. Sterling and dollar exchange are the only two mediums of exchange that have been at all reliable since the war commenced and this will no doubt put both these exchanges immeasurably ahead of the exchange of any other country at the end of the war.

In considering the possibility of New York being a successful rival for supremacy as an exchange centre, we can do no better than review some of the principal reasons why London has hitherto held that position, and it will be necessary for New York to duplicate these in great part, if not in entirety, before London can be displaced. These reasons can be briefly tabulated as follows:

1. **Excellent Geographical Position.**

(a) On the threshold of Europe and within a short distance of every important exchange centre with the exception of New York.

(b) Ice and fog free water lanes to every large port in the world, with the exception of New York and the other ports of the North American continent.

(c) Insular position and consequent freedom from invasion by land.

2. **Free Gold Market.**—Which means that there is no delay or discount entailed in realizing on a bill expressed in English money. It is payable in pounds sterling, which represent a definite and immutable weight of fine gold. Great Britain adopted the gold standard unequivocally in 1816, nearly 100 years ago and has not departed from it since even to the extent of charging a fractional premium on the gold or by restricting its export by legal or sentimental embargoes. So important is this certainty of the English monetary standard to the merchants and bankers of the world, that it is unlikely that the war will cause more than a temporary recourse to other methods.

3. **Pound Sterling.**—The sovereign or pound sterling is the most universally recognized coin as well as one of the largest units of money.

4. **Mercantile Navy.**—A mercantile navy second to none in the world. This not only means a large toll of the world's commerce and

freight, but also enables Great Britain to govern to a great extent the destination of cargoes. Incidentally, with her large ship owning, Great Britain is interested in marine insurance and owing to the excellent standing of her insurance companies, does an immense business in foreign marine insurance.

5. **Tariff.** - The absence of a tariff, except on a few specific articles, is of great importance as not only do foreign goods find a ready market in Great Britain, but it permits British merchants and others to import goods into Great Britain free of duty and export them at their convenience. London and the other important sea-ports in Great Britain correspond to the freight yards at railway centres. Cargoes consisting of goods of every description pour into these ports from all parts of the world and are there sorted into mixed cargoes to be despatched to the various countries.

6. **Banking.**—The large number of foreign and colonial banks established in London.

Although London does not encourage the establishment of foreign banks, this freedom in banking privileges to all comers is an important factor in ensuring the pre-eminence of London as a financial centre. These branches of foreign banks with their network of correspondents throughout the world, in addition to their direct influence on the exchange situation, give invaluable assistance to the Bank of England in preserving the equilibrium of the money market.

7. **Discount Market.** A liquid money market capable of absorbing bills of exchange to an unlimited amount. This unique feature of the London market makes a first-class bill of exchange almost as liquid as gold. The large number of foreign and colonial banks referred to above form an invaluable factor in this discount market.

8. **Stability of Money Rates.**— The discount rates are controlled by a central institution, the Bank of England, and changes are not only infrequent but seldom rise above 6%. By this control of the money market, the Bank of England is able to attract gold to London when the exigencies of commerce and the exchange situation require it.

9. **Freedom from Panics and Financial Disturbances.**

10. **Foreign Investments.**—Ability and willingness of Great Britain to invest its large surplus income in foreign and colonial securities and enterprises.

The movements of such investments form a large part of the so-called invisible exports and imports and are necessarily an important factor in creating exchange.

11. **Free Navigation Laws.**—A foreign ship is in the same position as a British ship with regard to British trade and foreign ships engaged in the coasting trade are not subjected to higher rates than British ships (141 Custom Law Consolidation Act, 1876). Great Britain affords equitable protection to both British and foreign seamen, but avoids emasculating the service by undue paternalism.

12. **Rapid Mail Facilities.** Time is the essence of an exchange transaction, a day's delay may turn a profit into a loss. Great Britain is singularly well equipped in this respect.

(a) **Railway Service.**—Every main railway on the continent of Europe gives its best service and equipment to its London mail train. The Trans-Siberian Railway already gives access by rail to the Pacific, and it is only a question of time to the establishment of through connections with India, China and South Africa.

(b) **Ocean Service.** Great Britain has direct communication by fast steamers with every port of the world and consequently acts as a foreign mail clearing house for other countries.

(c) **Cable Service.** As Great Britain owns two-thirds of the submarine cable mileage of the world, it is natural that she should be a great cable centre with practically direct communication the world over. This service is now supplemented by a far flung system of wireless stations.

CHAPTER XV

BRITISH ACCEPTANCES

Reference has already been made to the enormous credits accorded by London to bankers and merchants throughout the world. Such credits generally take one of two forms, acceptances granted under letters of credit, and what are called finance bills. The latter class is explained in the next chapter and the following illustration will afford the best insight into the operation of the former.

When a merchant in Holland, France, the United States or any other country wishes to buy goods, produce, etc., in any other part of the globe, he generally obtains a credit through a London banker, either direct or through a banker in his own country, and instructs the foreign merchant from whom he purchases goods to draw on the London banker at two or more months' sight. Take the case of a coffee merchant in Bordeaux, Monsieur Bonhomme, who negotiates with Gomez & Company, coffee growers in Rio de Janeiro, for a consignment of coffee. Gomez probably knows little or nothing about the financial standing of Bonhomme, and even if it were excellent, would not be willing or able to await a remittance from France for the shipment. He therefore asks Bonhomme to arrange for a credit on London in his favour for the amount of the invoice, say £1,000. Bonhomme goes to his bankers, the Credit Lyonnais, at Bordeaux and requests them to open up a credit in London in favour of Gomez against 90 day bills with documents attached. The Credit Lyonnais instruct Parr's Bank, their London correspondent, accordingly and furnish Bonhomme with a letter of advice to send to Gomez stating that the credit has been opened in London on the terms set forth. On receipt of the letter Gomez fills the order and places the coffee on shipboard; receiving a bill of lading therefor. He then draws a draft at 90 days' sight for £1,000 and attaching the bill of lading, insurance policy, invoice, etc., thereto, takes it to his banker, the Bank of Brazil, who purchases the bill from him at the current rate of the day and he is thus enabled to obtain his money immediately. The Bank of Brazil forward the draft and documents to their correspondents in London, the Bank of Commerce, who present it to Parr's Bank without delay. The latter accept it, but retain the bill of lading and other documents, which they forward to the Credit Lyonnais, Bordeaux, who thus are enabled to obtain possession of the coffee when it arrives, and can either store it on account of their customer Bonhomme, or deliver it to him on trust receipt, until he finally pays for it.

To return to the draft—this is now an accepted bill with first-class names on it, and has an international currency as it is saleable in any country in the world, because every country finds it necessary to remit to London constantly and every foreign bank has a London office or correspondent.

The bill can be held until maturity and the proceeds then placed to the credit of the Bank of Brazil, but the more likely course is for the Bank of Brazil to instruct its Agent, The Bank of Commerce to

discount it in the open market and place the proceeds to its credit, or it may instruct its agent to remit the bill to another foreign centre to settle some account there. In either case the bill is in London at its maturity and is paid on that date by Parr's Bank to the holder, for in the meantime it may have been bought and sold several times and passed through half a dozen hands.

Parr's Bank depends on the Credit Lyonnais to provide funds to meet the bill at maturity and would not have issued the credit unless they had confidence in them. The Credit Lyonnais in their turn have confidence in their customer's ability to reimburse them and of course see to it that he provides the necessary funds for transmission to London in ample time to discharge the obligation.

To sum up the results of the transaction;

1. Bonhomme, the actual debtor, had the use of £1,000 for three months and yet he himself would probably have some difficulty in naming his actual creditor at any particular moment.

2. Gomez & Company, in Rio de Janeiro, received their money as soon as the coffee was delivered on shipboard, though as drawers of the bill, they remain obligants until payment.

3. The Bank of Brazil bought the bill from Gomez and were only out of their money until the bill had reached London and was accepted, discounted and placed to their credit. They, however, remain liable as endorsers of the bill until its payment.

4. The Bank of Commerce advanced no money as they acted only as agents of the Bank of Brazil in obtaining acceptance of the bill, selling it in the discount market and crediting the proceeds: therefore their name does not appear on the bill. For their services they receive a commission.

5. Parr's Bank are primarily liable on the bill as acceptors but as the Credit Lyonnais must provide the funds for payment they advance no money on the transaction, merely making a small commission for the use of their name.

The above are all interested directly or indirectly in the bill but not one of them, with the exception of the Bank of Brazil has advanced a single cent, and the question still remains, "Who paid for the coffee during the three months' currency of the bill?" The answer is The firms in the open discount market of London, who discounted and purchased the bill.

In the same way merchants in every country in the world have been accustomed to arrange similar credits in London for every other country in the world and for every conceivable class of goods. On the outbreak of war it is estimated by Mr. Lloyd George that British banks and accepting houses were liable for over £350,000,000 of these acceptances, the greater part of which had been discounted on the London market. Although British signatures were primarily liable for this huge amount, it was not really for their own account, but they looked to those on whose behalf they had accepted the bills to provide the funds, and the unprecedented demand for sterling exchange at the

beginning of the war was due to the attempt on the part of these foreign obligants to provide funds for the maturing liabilities incurred by the British banks for their account, and under their instructions. Exchange rates on London the world over rose far above the gold point. New York sterling exchange, for instance, was quoted as high as \$6.50 and \$7.00 per pound sterling for cables as against the normal \$4.86⅔. If Great Britain had insisted on these debts being paid immediately it would probably have been impossible to obtain the necessary sterling funds except at a most ruinous figure, and, even if the English banks could have met the acceptances out of their own funds as they matured, it would have brought disgrace if not ruin on a number of the foreign banks. It was to protect this vicarious liability of the English banks that it was deemed advisable to proclaim a moratorium, and there is no doubt that this wise step saved the neutral countries, which were indebted to London both financial loss and worry. Lloyd George in referring to this class of note says:

"There was that amount of paper out with British signatures at "that time. Most of that had been discounted. The cash had "been found by British sources, and the failure was not due to "the fact that Great Britain had not paid her creditors abroad. "It was due entirely to the fact that those abroad did not pay "Great Britain. I think that it is very important from the point of "view of British credit, to have that thoroughly understood, for "when the Moratorium came, and there appeared something like "a failure of British credit, it was not a British failure at all. It "was because we could not get remittances from other countries. "We had already paid, but it was vital to the credit and good name "of this country that these bits of paper, which are circulated "throughout the globe, with British names upon them, with names "that have been associated with British trade and commerce—it "was vital to the good name and credit of this country, to its "continuity of trade and its character, that they should not be "dishonoured. What really happened was that there was a "complete cessation of credit, a breakdown of the exchanges. "It was exactly as if a shell had broken an arch in an aqueduct, "and there was a cessation of the flow that had been going on "before, and what we had to do was temporarily to repair the arch "so that the flow should continue."

Acceptances under Letters of Credit are not, of course, confined to London, but are drawn on other large financial centres such as Paris, New York, etc., but owing to the special facilities afforded by London the bulk of these credits are drawn in sterling.

Dollar credits issued on New York have, since the beginning of the war, become more generally used especially for South American business, but it is doubtful if they will more than temporarily take the place of the better known sterling credits, for the reason stated above.*

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*Chapter XIV.

CHAPTER XVI

FINANCE BILLS

There is a wide difference of opinion as to the exact definition of a finance bill. Franklin Escher defines it as "an unsecured long bill of exchange drawn by a banker in one country on a banker in another country, and sold for the purpose of raising money." Other authorities are inclined to include all long bills originating between bankers, whether secured or not. The latter is perhaps the more general understanding of the term, and I would suggest the following definition as comprehensive:—"A finance bill is a long bill of exchange, secured or otherwise, drawn by a banker in one country on a banker in another country, the funds for the payment of which at maturity must be provided by the drawer."

Before drawing a finance bill it is necessary to make arrangements with the accepting bank as to the amount, terms, etc., of the accommodation. Such arrangements can, of course, be general, applying to a series of transactions, or specific and applying to a single transaction only. The most common occasion for the use of these bills is to anticipate a fall in the exchange rates. For in tance, during the summer months, under normal conditions, the rate of exchange for sterling in New York is generally high, gradually dropping to a very much lower level in the fall, when the large shipments of cotton and wheat result in heavy offerings of sterling exchange. Suppose the rate at the end of August is 4.88 for demand bills and a banker, "A," desirous of anticipating the probable drop in exchange in the fall, arranges with his London correspondent, "B," for a credit of £10,000 by way of 60 days' draft on London against securities which he deposits with him. "A" immediately draws a draft on "B" at 60 days for £10,000 which he can either (1) sell in New York at the sixty day rate for bills or else (2) send to London to be placed to his credit there, and sell his own sight drafts against this credit; in either case he will have the use of the proceeds in New York until the maturity of the bill, when he must be prepared to place "B" in funds to meet it. It will be noticed that "B" advances no money, but simply lends his name to "A," the London discount market providing the funds.

(1) "A" will sell his sixty day bill in New York if he can obtain $4.8523 per pound sterling or better This rate is arrived at as follows:—

Demand rate for sterling............		$488.
*Less 63 days' interest at 3% (being the London market rate for prime bankers' bills)..................	2.527	
Stamps 1/20 of 1%....	.244	2.771
Per £100.........		$485.229

or $4.8523 per pound sterling.

*Prior to the war interest and stamps used to be calculated on the basis of $485 to the £100, but owing to the wide fluctuations it is now frequently calculated on the actual rate itself

The sixty day bill for £10,000 should therefore net him....................................	$48,522.90
"A" employs these funds in New York for sixty days at 4%, earning.......................	343.49
Seven days before the bill matures "A" purchases a demand draft for £10,000 which he forwards to London to provide for the payment of the bill. By this time exchange has fallen as he anticipated, and is now at 4.85, so that he is able to buy the covering draft for....................	$48,866.39 48,500.00
"A's" profit (from which must be deducted "B's" commission of probably ⅛ of 1%) is therefore	$ 366.39

There is, of course, the risk that exchange might not fall at the end of October as anticipated, or that the interest rates in New York might not be maintained above 3%.

(2) If "A" sent the sixty day bill to London and immediately sold a demand draft against the remittance, the transaction would work out as follows:—

Amount of 60 days' draft......................		£10,000
Less interest at 3%..............	£51.781	
Less stamps, 1/20 of 1%........	5.	
		56.78
Net proceeds in London........		£ 9,943.22*

"A" would thus be in a position to sell his demand draft for the above amount and thus provide himself with funds in New York, £9,943.22 at 4.88=$48,522.90, the same amount as realized in (1) by the sale of the sixty days' bill itself in New York.

Another form of finance bill is created when a London banker, desirous of taking advantage of the high rate of interest in New York, instructs his correspondent to draw on him for £10,000 at sixty days, and lend the proceeds on the New York market. This the New York banker does, and sells the bill in New York, investing the money. Neither banker employs his own money in the operation, the money being provided by the London market, where the bill is discounted by the purchaser. A transaction of this nature may be entirely on the account of and at the risk of the London banker, or it may be on joint account, in which case both the risk and the profit are shared.

There are, of course, finance bills, both secured and unsecured, drawn purely for raising money regardless of the conditions of interest

*The net proceeds, £9,943.22, are taken for the amount of the demand draft for illustrative purposes; in actual practice the draft would have been drawn in round figures, £10,000. The same result would be obtained, thus:—

£10,000 demand draft realizes in New York.............	$48,800.00
from which must be deducted the London charges for interest and stamps, £56.781 at $4.88...........	277.09
	$48,522.91

or exchange, but as a rule finance bills have a reasonable excuse for their existence. It may be objected that this is a way of getting money which might be easily abused, but in practice this does not happen. The London market is always uncannily in touch with the position of both the drawer and acceptor and any attempt on the part of either to issue this class of bill beyond what he is legitimately entitled to on the basis of his business or financial standing, is promptly nipped in the bud, first, by demanding higher rates and finally, by refusing to take the paper. Either action is, of course, detrimental to the credit of the party concerned, and bankers and others who operate in finance bills are most careful to leave a large margin of safety in their use of the very sensitive discount market.

If, at the maturity of a finance bill, it is not convenient to remit, it is generally possible to provide the necessary funds to meet it by the sale of another bill.

It is plain from the above explanations that when many of these finance bills are drawn on London, by thus increasing the supply of sterling, they will have a tendency to lower the rate at which they can be sold.

In the above illustrations London and New York alone have been referred to; finance bills, of course, obtain between other countries, but to a much less degree.

CHAPTER XVII

WAR AND EXCHANGE

GREAT BRITAIN

During the first week in August, financiers were faced with conditions that were absolutely unprecedented, conditions to which the generally accepted remedies and economic theories were inapplicable. The very perfection of the international credit machinery, with its vast network of telegraphic nerves radiating from London, New York, Paris and other financial ganglia, was a factor in its own undoing. Cable communication was almost cut off by the destruction of some of the cables and by the establishment of censorships, and the little news that did succeed in filtering through was almost unbelievable, so terrific was its significance. Events followed each other in rapid succession. Austria declared war on Servia on July 28th; Russia, Germany and France began to mobilize. On July 30th the Bank of England rate rose to 4% and on July 31st to 8%. On the same day, unable to withstand the flood of continental liquidation, the London Stock Exchange closed and was closely followed by the New York Stock Exchange and by every Bourse in the world. On August 1st Germany declared war on Russia and the Bank of England rate was raised to 10%; on August 3rd Germany declared war on France and this was followed by a run on the Bank of England. On August 4th England declared war on Germany. Europe was panic stricken, specie payments were suspended and moratoria were declared everywhere. For a time all was confusion, until the energetic and courageous action of the British Government assisted by the remedial measures resorted to at other exchange centres, brought some order out of chaos and to a certain degree restored confidence.

At the beginning of the war the majority of the countries of the world found themselves with a large amount of floating and maturing indebtedness to provide for in London and without any machinery for accomplishing it, except at an almost prohibitive loss. So dependent had the world become on the facilities offered by London and other large European centres for the adjustment of their trade balances between each other, that the complete breakdown in the exchanges left them with no channels whereby they could offset these balances except by direct settlement, either by gold shipments or the purchase of exchange in a debtor country for remittance to a creditor nation, both costly methods. Conditions were further complicated by the uncertainty of communication and the almost complete cessation of merchant shipping throughout the world owing to interment or commandeering. For these and other reasons one country after another declared a moratorium of a more or less general nature. Among these may be mentioned: -

COUNTRY	DATE
Argentina	August 12th
Belgium	" 6th
Brazil	" 16th
Bulgaria	" 7th
Denmark	" 21st
Ecuador	" 7th
Egypt	" 9th
Greece	July 26th—August 4th
Italy	August 4th
Norway	" 5th
Paraguay	" 14th
Portugal	" 24th
Russia	July 20th—August 2nd
South Africa	September 15th
Sweden	August 7th
Switzerland	" 17th
Turkey	" 3rd
Uruguay	" 15th

A study of the following table shows the value of the pound sterling in different countries from July 1914 to January, 1916. A comparison of these rates with the par value of the pound in the first column will show when the London exchange was at a discount.

		Par	July 17, 1914	August to December, 1914		1915		Jan. 15, 1916
				High	Low	High	Low	
Paris	Fcs.	25.22	25.17	25.50	24.	27.80	25.08	27 85
Switzerland	Fcs.	25.22	25.18	26.	24.	25.85	24 80	24 75
Italy	Lire	25.22	25.26	28 50	24.	30 90	25.87	32.35
Madrid	Pes.	25 22	26.05	26.80	24.25	25.55	23.90	25.05
Amsterdam	Fl.	12.107	12.12	12 60	11.70	12.15	11.	10.85
Petrograd	R.	94.60*	95.10	125.	108	149.	110.	161.50
Scandinavia	K.	18.16	18.25	19.30	18.30	19.55	16.60	17.37½
New York	$	4.86⅔	4.87½	6.50	4.87	4.85½	4.50	4.77⅛

It will be noticed that by January, 1916, the positions at the beginning of the war had been reversed in most instances and Great Britain, formerly the general creditor nation, had become a debtor to Switzerland, Spain, Holland, Scandinavia and New York, this being due in great measure to a decrease in her exports and foreign investments and an increase in her imports, principally of provisions and war supplies.

When war became imminent, France proceeded to realize on her securities and call in her foreign balances; as a result, funds in London and New York were rapidly exhausted and debtors in London who were under obligation to remit to Paris, sent gold until the moratorium was declared. There were practically no quotations until

*Roubles per £10 for 3 months' bills; the other quotations are for sight bills.

the middle of August, by which time the rate had fallen to Fcs. 24.50, rising again in September to Fcs. 25.70, and falling to Fcs. 25.04 in December, 1914. In the spring of 1915 the effects of heavy financing of the British Government for French account commenced to be felt and by June the quotation had risen to over Fcs. 26., standing in January 1916 at Fcs. 29.85, —this, notwithstanding the heavy expenditures on the British and Canadian troops entrenched in France and Flanders.

No specific particulars regarding the exchange or financial operations of neutral countries are obtainable, nor will they be until after the war is over, for obvious reasons. It is, therefore, idle to attempt to explain the position of the foreign exchanges except in general terms, as the several rates do not by any means represent either the financial positions of the countries in question or their true relation to each other. Take, for instance, the case of Holland, which appears for the time to have taken London's place as international clearing house. According to the "Economist" the Amsterdam exchanges stood as follows in November, 1915:

	Rate	Par	Premium on Dutch Currency
Berlin...........	48.02½	59.26	19
Vienna..........	34.06¼	50.41	32½
Copenhagen......	63.65	66.67	4½
London..........	11.22	12.11	7½
New York........	239.65	248.8	3¾

It will be noticed that even the dollar is at a discount and Dutch currency has apparently become the standard of value for these centres and the exchange markets of Holland and Scandinavia have become of importance as international clearing houses, for the time being taking the position generally occupied by London.

The par rate between Amsterdam and London is Fl. 12.107 to the pound sterling, and the rate obtaining just before the war was a little in favour of London, F. 12.14. During the first week of August the quotations were most irregular, ranging as they did from Fl. 11.90 to Fl. 12.60, but after the steadying of the exchanges by the remedial measures above referred to, the rate on London was fairly well maintained around normal, until 1915, when payments for freight and large purchases by the British Government of sugar and other supplies, together with the sale of securities in New York and London, presumably for German account, combined to lower the value of the pound to Fl. 10.85, the quotation on January 15th, 1916.

Since the beginning of the war, the Italian exchange has been favourable to London, and during the summer and fall of 1915 stood at about Lire 26. The rate dropped a little in December but rose again on the prospect of Italy's participation in the war, and stood at about Lire 28 until June, 1915, from which time it has been gradually rising, and on January 15th, 1916, reached Lire 32.35.

The Russian rate of exchange before the war stood at about 94 roubles per £10. Since then the rate has gone steadily against Russia. This is due to the almost complete blockade of Russian exports, both

from the Black Sea and the Baltic, and to a large increase in the value of imports. A certain amount of this depreciation is due to the expansion of the paper currency.

Spain was favourably affected by the war as far as exchange conditions were concerned. Sterling exchange is almost invariably at a premium in Spain. Just before the war it stood at 26.10 pesetas per pound sterling (par 25.22) and during the first part of August fluctuated between Pesetas 23.85 and Pesetas 26.60 per pound, the higher quotation being, of course, in favour of Great Britain. Heavy purchases by France and England of war munitions and provisions turned the exchange in favour of Spain, where it has remained ever since, and England has even found it necessary to ship gold to Spain from time to time in order to keep the rate adjusted. A study of Spanish foreign trade returns shows a great decline in imports and a large growth in exports. New industries appear to have been started all over the country for the manufacture of goods previously imported from England and elsewhere. These industries have been greatly aided by a return of skilled workers from the belligerent countries. Barcelona has been particularly active in supplying war munitions of all descriptions to France, while both France and England at present afford an unlimited market for the products of the new industries so recently started, such as blankets and cloth, jams, marmalades, etc.

The position of the Scandinavian nations, Norway, Denmark and Sweden, was very similar to that of Holland, being contiguous to both Great Britain and Germany. Under normal conditions the Scandinavian nations are generally indebted to Great Britain, and at times lean heavily on London for financial assistance. At the beginning of the war exchange was in favour of London, standing at K. 18.25 as against the par of K. 18.16, and remained favourable well into 1915, when it fell as low as K. 16.60. The fall was due to a number of causes. England's exports to these countries had practically ceased, while her imports from them had increased. Russian purchases in these countries were paid by draft on London and large amounts were also due from Great Britain for freight, etc.

CHAPTER XVIII

WAR AND EXCHANGE *(Continued)*

NORTH AMERICA

A study of the following average quotations for the successive months of the years 1906-10,* as well as of the table on page 109, shows that exchange invariably favours London during the first eight months of the year:—

January	4.872
February	4.875
March	4.8725
April	4.8715
May	4.875
June	4.876
July	4.872
August	4.8685
September	4.866
October	4.8665
November	4.8695
December	4.869

This is due to the adverse trade balance, but during the month of July, 1914, this usual adverse balance was still further augmented by the abnormal quantity of American stocks and bonds sold on the New York Stock Exchange for European account. This selling was increased by the closing of the European Bourses, until finally the closing of the London Stock Exchange on 30th July, caused the New York Stock Exchange to follow suit in self-defence on the following day.

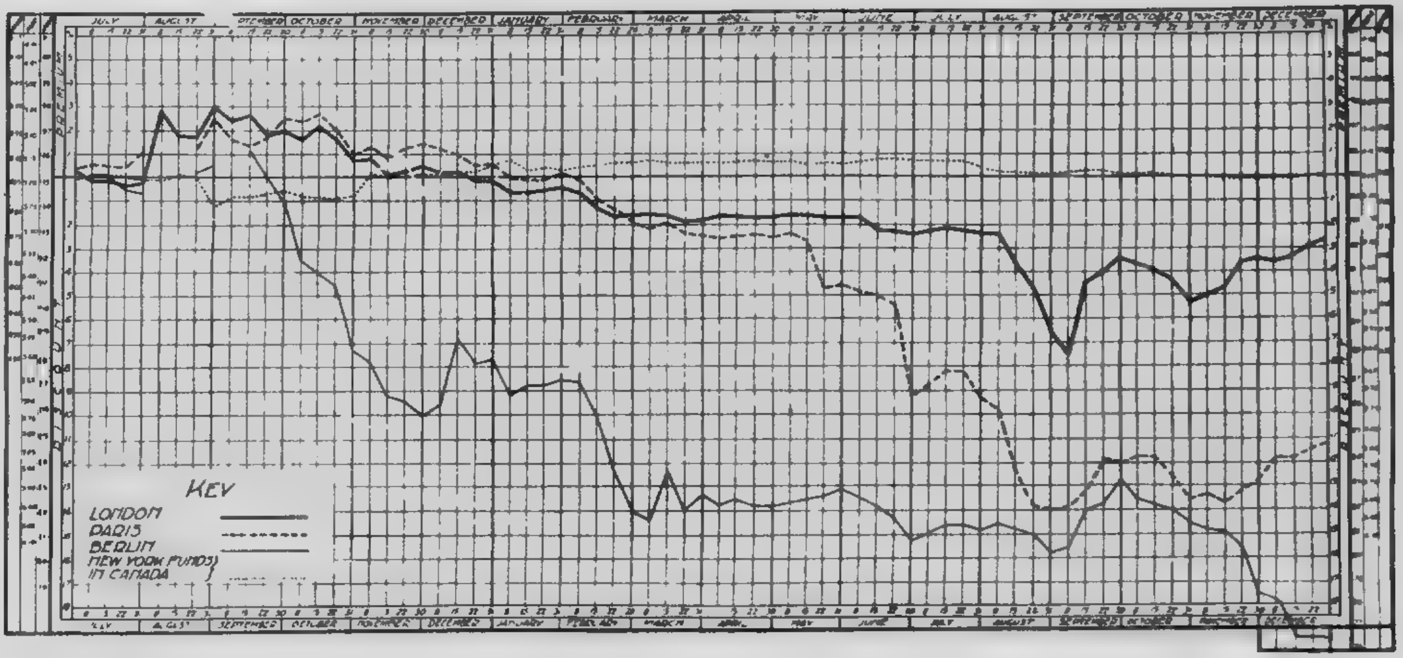
Thus at the beginning of the war New York found itself with an unprecedented floating indebtedness to Europe, variously estimated at from $250,000,000 to $300,000,000, and exchange became utterly demoralized. Cables on London rose to $5, to $6.50 and finally to $7, and remittances became impossible.

Gold had been leaving New York for Europe in large quantities during the month, and more would have been shipped but for the suddenness of the crisis. Even as late as July 28th, 1914, the "Kron Prinzessen Cecilie" sailed from New York with a consignment of gold valued at over $10,000,000, but to avoid capture was recalled when almost in sight of England and put back into Bar Harbour, Me., on 4th August, 1915.

Gold shipments were now impracticable, not only on account of the high war insurance rate of 1%, but also because it was not considered advisable or expedient, even for neutral nations, to ship gold in war time. Every nation was holding gold for eventualities they knew not what. Under normal conditions New York would have corrected this abnormal exchange position by anticipating the fall

*Compiled by Mr. Lawrence M. Marks, Yale, '14, and published in International Trade & Exchange by H. G. Brown.

Graph Showing the Percentage Premium or Discount on the Gold Par of Exchange of the Lowest Rates Quoted in New York for Cheques on London, Paris and Berlin Respectively, During the Periods ending on the 8th, 15th, 22nd and the last day of each Month Since July 1914.



RECORD OF INTERNATIONAL EXCHANGE QUOTATIONS

1910-1915

The following table shows the course of English, French and German exchange in New York, for sight drafts during the past four years, as well as that of some other countries. New York funds are expressed in 64ths. For instance, in January, 1910, the highest rate for New York funds was a 4-64 premium, and the lowest a 3-64 discount.

Months and Years		New York Funds in Canada (in 64ths)		Sterling		Francs		Marks	
		High	Low	High	Low	High	Low	High	Low
January	1910	4 P	3 D	486 90	486 15	$516\frac{7}{8}$	$518\frac{1}{8}$	$95\frac{3}{16}$	$95\frac{1}{16}$
	1913	6 P	Par	487 75	485 75	$516\frac{7}{8}$	$518\frac{3}{4}$	$95\frac{1}{4}$	$94\frac{13}{16}$
	1914	6 P	2 P	486 95	485 55	$518\frac{3}{8}$	$521\frac{1}{4}$	$94\frac{11}{16}$	$94\frac{9}{16}$
	1915	64 P	20 P	485 05	483 95	$516\frac{3}{4}$	$519\frac{3}{4}$	$88\frac{1}{4}$	$86\frac{1}{2}$
February	1910	4 P	4 D	487 15	486 00	$516\frac{7}{8}$	$518\frac{1}{8}$	$95\frac{3}{16}$	$94\frac{13}{16}$
	1913	5 P	Par	487 80	487 30	$516\frac{7}{8}$	$517\frac{1}{2}$	$95\frac{1}{4}$	[illegible]
	1914	5 P	Par	485 95	485 35	$518\frac{1}{8}$	$518\frac{1}{4}$	[illegible]	$94\frac{13}{16}$
	1915	52 P	28 P	484 70	479 15	$518\frac{1}{4}$	528	$87\frac{3}{8}$	82
March	1910	1 P	3 D	487 70	486 70	$516\frac{7}{8}$	$517\frac{1}{2}$	$95\frac{1}{4}$	$95\frac{3}{16}$
	1913	4 P	Par	487 95	486 90	$517\frac{1}{2}$	$518\frac{3}{4}$	$94\frac{3}{8}$	$94\frac{1}{8}$
	1914	6 P	3 P	486 65	485 85	$517\frac{1}{2}$	$518\frac{3}{4}$	$95\frac{1}{4}$	$95\frac{1}{16}$
	1915	52 P	40 P	481 15	478 55	$525\frac{1}{8}$	$542\frac{1}{4}$	$84\frac{1}{4}$	$81\frac{3}{4}$
April	1910	Par	4 D	487 95	487 60	$516\frac{7}{8}$	$517\frac{1}{2}$	$95\frac{1}{4}$	$95\frac{1}{16}$
	1913	3 P	5 D	487 20	486 35	$518\frac{1}{8}$	$518\frac{3}{4}$	$95\frac{7}{8}$	$95\frac{1}{16}$
	1914	4 P	4 D	487 65	486 30	$515\frac{5}{8}$	$517\frac{1}{2}$	$95\frac{1}{4}$	$95\frac{1}{8}$
	1915	44 P	36 P	479 80	478 90	$531\frac{5}{8}$	$532\frac{1}{4}$	$84\frac{1}{4}$	[illegible]
May	1910	Par	5 D	487 80	486 35	$517\frac{1}{2}$	$518\frac{3}{4}$	$95\frac{1}{4}$	95
	1913	3 P	Par	486 75	486 05	$517\frac{1}{2}$	$518\frac{3}{4}$	$95\frac{3}{16}$	$95\frac{1}{16}$
	1914	3 P	3 D	488 75	487 60	$515\frac{5}{8}$	$515\frac{5}{8}$	$95\frac{3}{16}$	$95\frac{1}{4}$
	1915	40 P	32 P	479 80	478 25	$531\frac{7}{8}$	513	$83\frac{1}{4}$	$82\frac{1}{2}$
June	1910	Par	5 D	487 05	485 85	$518\frac{1}{8}$	$519\frac{3}{8}$	$95\frac{1}{8}$	95
	1913	2 P	3 D	486 90	486 50	$518\frac{1}{8}$	$518\frac{3}{4}$	$95\frac{3}{16}$	$95\frac{1}{8}$
	1914	1 P	2 D	489 00	487 65	515	$516\frac{1}{4}$	$95\frac{1}{8}$	$95\frac{1}{8}$
	1915	52 P	40 P	478 45	475 85	543	570	$82\frac{13}{16}$	$80\frac{7}{8}$
July	1910	3 P	3 D	485 80	485 20	$518\frac{1}{8}$	$519\frac{3}{8}$	$95\frac{1}{8}$	$94\frac{7}{8}$
	1913	5 P	3 P	487 05	486 45	$518\frac{1}{8}$	$518\frac{3}{4}$	$95\frac{3}{16}$	$95\frac{1}{8}$
	1914	1 P	5 D	492 00	485 30	505	$516\frac{7}{8}$	96	$95\frac{3}{16}$
	1915	48 P	16 P	476 75	476 00	553	$570\frac{3}{4}$	$82\frac{1}{8}$	$81\frac{1}{4}$
August	1910	2 P	5 D	486 75	485 25	[illegible]	$519\frac{3}{8}$	$95\frac{1}{8}$	$94\frac{7}{8}$
	1913	5 P	5 D	486 65	485 80	$518\frac{3}{4}$	$519\frac{3}{8}$	$95\frac{1}{8}$	$95\frac{1}{16}$
	1914	4 P	80 D	507 50	500 00	No quotations		No quotations	
	1915	20 P	2 P	476 25	455 00	564	602	[illegible]	$80\frac{1}{4}$
September	1910	Par	5 D	486 75	486 05	$518\frac{3}{4}$	$518\frac{3}{4}$	$95\frac{3}{16}$	$95\frac{1}{16}$
	1913	1 P	5 D	485 90	485 30	$519\frac{3}{8}$	520	$95\frac{1}{8}$	$94\frac{7}{8}$
	1914	20 D	80 D	506 00	405 25	506	510	[illegible]	$94\frac{5}{8}$
	1915	22 P	6 P	471 87	454 00	576	601	[illegible]	$84\frac{1}{4}$
October	1910	Par	5 D	486 65	486 10	$518\frac{3}{4}$	520	$95\frac{1}{8}$	$94\frac{15}{16}$
	1913	3 P	5 D	486 10	484 95	520	$521\frac{1}{4}$	$94\frac{15}{16}$	$94\frac{7}{8}$
	1914	Par	56 D	497 50	489 40	505	515	$93\frac{1}{2}$	$88\frac{3}{4}$
	1915	8 P	Par	472 37	461 62	579	$598\frac{1}{2}$	$81\frac{1}{2}$	$84\frac{1}{4}$
November	1910	2 P	6 D	486 05	485 45	$519\frac{3}{8}$	$520\frac{5}{8}$	95	$94\frac{7}{8}$
	1913	3 P	5 D	485 50	484 85	$520\frac{5}{8}$	$521\frac{1}{4}$	$94\frac{15}{16}$	$94\frac{5}{8}$
	1914	36 D	Par	490 65	486 85	510	$515\frac{1}{2}$	$88\frac{1}{2}$	$85\frac{1}{2}$
	1915	2 P	4 D	471 37	463 50	$582\frac{1}{2}$	579	$79\frac{3}{8}$	$81\frac{3}{4}$
December	1910	1 P	5 D	486 10	484 90	520	$520\frac{5}{8}$	$95\frac{1}{16}$	$94\frac{7}{8}$
	1913	3 P	3 D	485 55	485 05	$520\frac{5}{8}$	$521\frac{1}{4}$	$94\frac{3}{4}$	$94\frac{5}{8}$
	1914	56 P	6 P	489 15	485 00	$511\frac{1}{4}$	517	$92\frac{1}{2}$	$86\frac{1}{16}$
	1915	5 P	5 D	473 65	470 25	$583\frac{1}{2}$	588	$79\frac{1}{4}$	$76\frac{1}{8}$

RECORD OF INTERNATIONAL EXCHANGE QUOTATIONS *(Continued)*

Years and Months		(Netherlands) Guilders High	(Netherlands) Guilders Low	(Italy) Lire High	(Italy) Lire Low	(Scandinavia) Kroner High	(Scandinavia) Kroner Low
July	1914	40¼	40 3/16	510⅞	518⅛	26 75	26 72
August	1914	No quotations		No quotations		No quotations	
September	1914	No quotations		No quotations		No quotations	
October	1914	No quotations		No quotations		No quotations	
November	1914	40⅞	40½	533	540	26 00	25 00
December	1914	40⅝	40¼	524	536	25½	25 00
January	1915	40 5/16	40	533¼	544	25¼	24¾
February	1915	40 3/16	39⅞	542½	580	25 00	24⅝
March	1915	40	39½	563	595	25 30	24¾
April	1915	39⅝	39 9/16	576½	589	25 90	25 05
May	1915	39 9/16	39⅝	575	592	26 30	25 75
June	1915	40	39 9/16	591	616	26 55	26 20
July	1915	40⅛	39⅞	600	640	26 35	25 60
August	1915	40 3/16	39½	620	652	26 25	25 40
September	1915	40½	39½	615	652	26 25	25 25
October	1915	41½	40½	622	646	26 30	25 65
November	1915	42	41¼	643	651	29 00	26 10
December	1915	43¼	41⅞	651½	660	29 00	27 00

shipments of cotton, grain and other produce. This was not possible at the outbreak of the war, but later on, when the crops were actually harvested and shipping was reorganized, the enormous exports from the United States speedily corrected the exchanges and reversed the position so that sterling exchange reached par by the end of December and fell steadily until the low point of $4.50 was arrived at in August, 1915.

On August 13th, 1914, in order to assist the New York exchange situation, the Bank of England signified its willingness to make payments in London on New York account against the deposit of an equivalent amount in gold at Ottawa,* thus eliminating the dangers and expense of an ocean shipment. This arrangement was equivalent to opening a huge credit in London, limited only by the willingness of the New York banks to part with gold. From $100,000,000 to $150,000,000 were sent to Ottawa and exchange was thus stabilized until the fall shipments of produce produced their effect.

These corrective measures, aided by the constantly increasing volume of American exports to Great Britain and her Allies, gradually forced the rate down until it reached par in November, at which point it remained up to the middle of December. Since then the exchange has gone steadily in favour of New York, reaching in August, 1915, the lowest point, $4.50 per pound, equivalent to a discount of 7%.**

*The deposits were accepted in Ottawa at the fixed price for gold bars of 77s. 6d. per ounce standard, and for United States Eagles of 76s. 0½d. per ounce, equivalent to a rate of $4.89 and $4.8932 respectively per pound sterling.

**The chart on page 108 gives a graphic presentation of the course of sterling exchange on the New York Market. The quotations used are the buyers' rates for sight drafts on the 8th, 15th, 22nd and the last day of each month, and are therefore not necessarily the highest or lowest rates for the week

During the first eight months of the year Great Britain made large shipments of gold and securities from London, in addition to the amount held in Ottawa for the account of the Bank of England, but these remittances were not sufficient to offset the unprecedented exports of munitions of war and food products to Great Britain and her Allies, amounting to over $100,000,000 per month.

It was not until after the low point was reached in August, 1915, that the British Government appeared to realize the seriousness of the exchange situation and took the obvious method of r ing the rate by arranging the Anglo-French loan of $500,000,000 This action, however, had been delayed too long to be very effective, and though it did arrest the downward trend, further assistance was necessary. Additional shipments of gold and securities aided by loans arranged between London and New York banks, gradually induced an upward movement, which was later supported by the mobilization of American securities in London by the Imperial Government for the purpose of obtaining further credits from New York, if necessary. Under these influences sterling exchange reached $4.78 in January, 1916, and during that month and February was maintained at about $4.77. As the cost of shipping gold from London to New York under war conditions is about 1.40% (7c. per sovereign) the above rate is very close to the present gold importing point.

The exchange between New York and Paris calls for very little additional comment. At the beginning of the war New York was largely indebted to Paris for stock purchases and, as with London, cable remittances between New York and Paris rose to unprecedented heights, resulting in the complete breakdown of the exchanges. As will be seen by the chart, French exchange has acted throughout in sympathy with sterling, maintaining a slightly higher level until February, after which, though still following the line of the sterling curve, it reached much lower levels of depreciation, touching 14% discount in August, or more than double that of sterling.

The close sympathy of the French and English exchanges is due to the fact that Great Britain has in a great measure borne the financial responsibility of the American exports to France, the adjusting payments being made between Paris and London.

German exchange from the commencement of the war has been a very complex subject, and presents a study in economic, rather than in exchange, especially so far as New York is concerned.

No mark quotations were available for the first six weeks of the war or until about the middle of September, 1914, and from that time the value of the mark fell steadily, the few temporary improvements which occurred being immediately followed by still further depreciation.

The lowest point, 72½c. per 4 marks, was reached in January, showing as compared with the par value of 95⅛ per 4 marks, a discount of nearly 24%.

As Germany and her Allies have been cut off from direct trade with the United States, it is plain that the great depreciation of the

mark is not due to the reasons responsible for the fall in the value of the pound sterling and franc., viz.: abnormal imports of munitions and produce.

As a matter of fact the German mark is universally at a discount, but such is not the case with the franc or pound sterling. In January, 1916, the mark was quoted in Amsterdam as low as 42 florins per 100 marks against a normal quotation of 59 florins, or nearly 29% discount against Berlin. At the same time in Switzerland, 100 marks were worth only 90 francs against the normal rate of 123½ francs, or a discount of 27% against Berlin. The cause of this universal depreciation in the value of the mark cannot be found in exchange conditions, but can only be ascribed to the decline in Germany's credit due to the lack of confidence, even among neutral and friendly nations, as to her future financial stability.

The serious reflection on German credit caused by the condition of her exchanges has recently been recognized by the German Government, which made an abortive effort to control the exchange markets by centralizing business in the hands of the Reichsbank and certain selected banking institutions. The effect of these special measures has so far proved negligible and that any real benefit can accrue therefrom is unlikely.

Sir Edward Holden in a recent speech on British and German financial conditions calls attention to the remarkable fact that both Dutch florins and Danish and Swedish kroner command a premium in America, notwithstanding the fact that the balances of trade between the United States and these countries are heavily against the latter. He says in part:

> "This is a very important matter in connection with our blockade of Germany, and this evidence, furnished by the exchange between Germany and Holland and the Scandinavian countries on the one hand and between Holland and Scandinavia and the United States on the other hand, will we hope, be realized by the authorities, who seem to wish to minimize the quantity of goods that Germany is receiving through neutral countries. Exchanges are an infallible test of the balance of trade and when Dutch and Scandinavian currencies are at a premium in America in the face of the huge excess of imports over exports, and with no gold shipments. It is evident that the balance is being furnished by the sale of securities, which, owing to Germany's indebtedness to Holland, Denmark and Sweden, have undoubtedly been supplied by Germany."

Dutch exchange in New York has been at a premium of nearly 9%, thus leading to shipments of gold from New York to Amsterdam. On February 12th, 1916, it stood at 42.18¾, or a premium of 5% on the par of 40.3 per florin.

The following table gives the closing quotations on 20th December, 1915:

Country	Quotation	Par Value	Dis. %	Premium %
England	4.73 dollars	4.86	3	
*France	5.82 francs	5.18	11	
Germany	19.3 cents	23.8	19	
Austria	13.40 cents	20.3	34	
Russia	32. cents	51.5	38	
*Italy	6.56 lire	5.18	21	
*Switzerland	5.26 francs	5.18	1½	
Spain	18.83 cents	19.3	2½	
Scandinavia	27.60 cents	26.8		3
Greece	19.35 cents	19.3		¼
Holland	44.3 cents	40.3		7½

Much prominence has been given in the financial press of late to the appreciation of the American dollar as compared with other exchanges, particularly with those of belligerent nations, but little or no comment has been made regarding the depreciation of the dollar itself in Scandinavia, Holland and other neutral nations. As a matter of fact the dollar at one time reached a heavier discount in Holland than that yet attained at any time by the pound sterling. On February, 12th, 1915, gulden in New York were at a premium of 5%. In other words, the dollar was at a discount of 5% as against a discount of only 2% on the pound sterling on the same date.

The discount on foreign money or premium on the dollar means that exchange on New York is difficult to get as there is not enough to supply the needs of the foreign centres and consequently the cost of American goods to the foreign purchaser is correspondingly increased. Normally the situation encourages exportation from the country in question to the United States and discourages importation from the United States and this is the natural corrective for adverse balances. Under war conditions, however, Great Britain's ability to export is greatly reduced, but her need to import is vastly increased. Continued settlements by gold shipments from Great Britain are impracticable, and from the United States' point of view, undesirable. Under these conditions the United States therefore, had either to extend credit or stop exporting. The Anglo-French loan was the answer, and doubtless additional loans will be found necessary from time to time for the same purpose.

As New York is the exchange centre of this Continent, foreign exchange conditions in Canada since the beginning of the war have been a reflection of those experienced in the United States, the quotations for sterling, francs, etc., differing from those in New York only by the discount or premium obtaining on New York funds in Canada, and a brief reference to the latter is therefore alone necessary.

Under normal conditions, gold can be transferred between New York and Montreal for about 70c. per $1,000, or 5/64 of 1% on either

*See explanation, page 48.

side of par, but since the war, gold shipments have seldom been made, and the quotations, without this steadying influence, have ranged from $1\frac{1}{4}\%$ discount to 1% premium.

It will be noted that the chart gives the course of New York funds **in Canada** and in order to compare with the other exchanges, the curve should be reversed, discounts becoming premiums and vice versa. This can be done mentally when it will appear that Canadian funds in New York have risen or fallen in sympathy with the sterling and other exchanges, within the limits, however, of about 1% on either side of par. Canadian funds **in New York** were therefore at a premium during the first few months of the war, but, in sympathy with sterling, fell to par in November and to a discount in December, and remained at a discount until August, 1915, when the proceeds of the United States loan to Canada of $45,000,000 became available. In conjunction with a number of loans made by New York to Canadian Municipalities and others, this loan was sufficient to maintain the rate at about par for the remainder of the year. Since then, however, Canadian funds have been more or less at a discount in New York, or conversely, New York funds have been at a premium in Canada. The course of exchange between the United States and Canada and the financial relations obtaining between the two countries have been so fully dealt with in the press, that it is unnecessary to enlarge further upon the situation. The view point of an onlooker, however, is always interesting and we quote the following from an article on Canadian Exchange, which appeared in a recent issue of the Scottish Bankers' Magazine*:

"It is well known that certain of the exchange tend to fluctuate in groups. Thus France and Belgium seldom varied greatly, while Germany and Holland showed a decided tendency to follow each other in every important rise or fall. Since the war, economic conditions are so altered that these groups have been completely broken up, and new groups have to some extent been formed. Thus, it is found that the Paris rate and the Petrograd rate have closely followed each other through most unprecedented variations, and the reasons for this are to some extent easily imagined, for the common circumstances and needs of the countries are obvious, and the exceptional conditions which have influenced the one rate have no less applied to the other. Now it will be found that the Canadian rate and the New York rate seldom show much difference. Part of the reason for this is found in the similar nature of a large portion of their exports, but the most important cause lies in the comparative proximity of the two countries. The two countries can exchange so easily that any violent fluctuation in either would quickly be utilized by speculative buyers with the result that a common level is maintained. New York being the more important centre, in order to understand Canadian fluctuations it will therefore be necessary to study the New York rate during the time of the war, knowing that the Canadian rate has been obliged to follow it closely in every fluctuation.

*"The Canadian Exchanges," George Thomson.

"In times of peace there are influences which affect the Exchanges to a considerable extent, but which are now almost negligible, while others have assumed a predominant position. Thus freights and the payment of interest on loans are important factors in ordinary times, but in the exceptional times in which we are living these are completely dwarfed by the more urgent factors. Exports and imports, the sale of securities, and the issuing of new loans, are the influences of which the working is most evident at present.

"We find that prior to the time of the declaration of war, there had been a steady sale by Continental holders of securities on the New York and London Stock Exchanges. This, following on a condition of large indebtedness by America to this country, sent the quotation up to from 5.00 to 5.50 or 3s 8d per dollar, a most serious position for the American merchants who had to remit to this country. For some time this high rate was maintained, with a slight tendency to fall, and the urgency of the situation led this country to try to devise some remedy. In normal times, of course, the remedy would be found in the remittance of gold, but the risks of such a proceeding in war time were prohibitive. It was, therefore, proposed that gold should be sent from New York to Ottawa to be held on account of this country. This was not readily agreed to by the United States, who were having minor financial difficulties within their own country, but eventually some gold was sent as proposed. By this time, however, the steady demand for munitions and arms from the United States had begun to make itself felt in the scale of credit, and soon the rate had fallen to about par. In the course of some weeks it fell far below par, and the fall continued steadily till last August, when it had descended far beyond all normal limits. During August a further sharp fall occurred, the rate reaching about 4.50, followed by a recovery to, about 4.75 almost immediately.

"The situation had now caused grave anxiety once again, for the situation of merchants here who required to remit to America was as unfavourable as the position of the American merchants had been at the beginning of the war. As a remedy for this situation the loan by America to this country was promoted. The situation, however, still bristles with difficulties, and no one can be sure what the immediate future may show. Part of the difficulty arises from the fact that there are probably large sums lying here on American account, waiting an improved rate. If the rate be stimulated so as to show more favourably for this country, these funds may be immediately remitted, causing a large demand for drafts, and so reducing the rate once more to a low level. Then it may be noted that the low rate is extremely favourable for the selling of American securities, an influence which tends to make the rate rise once more. Underlying all these considerations, however, there lies the fundamental fact that it is to the imports and exports that we must look for the real key to the problem. So long as we continue to buy largely from abroad at a time when our own exports are much reduced, we cannot long avoid seriously adverse exchanges. When the Government emphasized the need for economy, it was probably impossible to make the man in the street understand

the situation, but there were many intelligent men who did not grasp the significance of the appeal. It would have prevented some idle and purposeless talk if it had been more clearly understood by the average business man, that the state of the Exchanges is most critical when they fall so low, and that only an extensive and considerable reduction of our imports can permanently remedy the situation. A clear grasp of the problem as affecting the Foreign Exchanges would therefore direct the general public towards the wise and effectual economy which will most quickly restore the balance of credit."

The whole subject of foreign exchange since the beginning of the war is most complex and in this brief review we have only referred to the more outstanding and evident effects without attempting to explain the causes. To do so would require an exhaustive study of the internal conditions of each country, largely a matter of conjecture at the present time. It is hoped, however, that sufficient has been said in this and the preceding chapter to make the accompanying table and chart intelligible and assist the reader to realize the existence of the many mysterious and undisclosed influences proceeding from the economic pressure exerted by the war upon the financial centres of the world.

APPENDIX A

PRACTICAL DATA

Constants.—A constant is a quantity of fixed value in a calculation, expressed numerically in as simple a form as possible, the value which remains invariable throughout the calculation.

Foreign exchange offers a wide field for the use of constants, and the opportunities for their application are endless. For instance $\frac{15}{73}$ is a constant which, multiplied by any number of dollars, will give the equivalent in pounds sterling at par ($4.86\frac{2}{3}$) and conversely $\frac{73}{15}$ multiplied by any number of pounds sterling will give the value of the same in dollars.

The constant for finding the interest for use in calculating the rate on French bills of exchange is $\frac{13}{900}$: this, multiplied by the rate and time in days, will give the amount of interest to be *added* to the rate. This constant is arrived at as follows:—

Interest being reckoned on the basis of 520 fcs to \$100, the constant or invariable factor will be the interest on 520 fcs for 1 day at $1\% = 520 \times \frac{1}{100} \times \frac{1}{360} = \frac{52}{3600} = \frac{13}{900}$.

Interest on Bills of Exchange.—Interest on Bills of Exchange is always figured on the rate and not on the amount involved in the transaction. The following constants will be found useful where no tables are available.

English Exchange.—Interest for the sterling rate is figured on the basis of \$485 per £100, 365 days to the year and 3 days of grace

If the interest had been reckoned on a basis of $486\frac{2}{3}$, the constant $\frac{1}{75}$ multiplied by the rate and the time in days, would give the interest to be deducted from the demand rate. As it is, this constant can be considered sufficiently close for practical use, as the error only represents an excess of about $1/300$ ($\frac{1}{3}$ of 1% of 2.52) or $8\frac{1}{2}$ cents per £1,000.

Example:—

£1,000 for 63 days at 3% at $\$486\frac{2}{3} = 2.52$
" " " " 485 $= 2.5114$

a difference of .0086 in favour of the purchaser.

French Exchange.—French interest is based on 520 fcs to the \$100, 360 days to the year and no days of grace.

The **constant** $\frac{13}{900}$ multiplied by the rate and the time in days, will give the amount of interest to be *added* to the demand rate.

German Exchange.—German interest is figured on the basis of \$95 to mks 400, 360 days to the year and no days of grace.

The **constant** $\frac{19}{7200}$ multiplied by the rate and the number of days will give the interest to be deducted from the rate.

If the basis had been made \$96 to the mks 400, the **constant** would have been much more simple, $\frac{1}{375}$. The latter, however, is sufficiently close for calculations where no table is available.

Example:—

120 days at 4% on \$96 basis = 1.28
120 " " 95 " = 1.2666

the difference of .013 (or about 1%) is equivalent to 14 cents on \$1,000 in favour of the purchaser.

Dutch Exchange.—This exchange interest is figured on the basis of \$40 to Florins 100, 360 days to the year and no days of grace.

The **constant** $\frac{1}{900}$, multiplied by the rate and the time in days, will give the amount of interest to be deducted from the rate.

Chain Rule.—A method of calculation frequently used in exchange, especially in indirect or arbitrated exchange. It consists of arranging the terms of the exchanges in the various currencies under consideration in such a manner that the required equivalent is quickly obtained:—

How many \$x = b		How many *dollars* (x)	= £1
if b = c		if £1	= 20½ Marks
and c = \$		and 400 Marks	= 95 *dollars*

$$x = \frac{1 \times 20\frac{1}{2} \times 96}{1 \times 400} = \frac{1947.5}{400} = \$4.86\tfrac{7}{8}.$$

It will be noted that these equations follow a regular order, the left hand side of the *first* equation (\$x) is always identical in denomination with the right hand side of the *last* equation (\$) and that the right hand side of each equation is identical with the left hand side of the equation below it. The denominations thus follow each other like the links of a chain, hence the name "Chain Rule."

Multiplication.—The equivalent, in improper fractions, of the numbers below should be noted, as they will be found most useful, in exchange calculations, for multiplication and division.

$62\frac{1}{2} = \frac{1000}{16}$	$6\frac{1}{4} = \frac{100}{16}$	
$83\frac{1}{3} = \frac{1000}{12}$	$8\frac{1}{3} = \frac{100}{12}$	
$125 = \frac{1000}{8}$	$12\frac{1}{2} = \frac{100}{8}$	$1\frac{1}{4} = \frac{10}{8}$
$166\frac{2}{3} = \frac{1000}{6}$	$16\frac{2}{3} = \frac{100}{6}$	$1\frac{2}{3} = \frac{10}{6}$
$250 = \frac{1000}{4}$	$25 = \frac{100}{4}$	$2\frac{1}{2} = \frac{10}{4}$
$333\frac{1}{3} = \frac{1000}{3}$	$33\frac{1}{3} = \frac{100}{3}$	$3\frac{1}{3} = \frac{10}{3}$

Example:—

Multiply 647 by $125 = 647 \times \frac{1000}{8} = 80875$, or in other words add three ciphers and divide by eight.

To divide reverse this rule. $\frac{80875}{125} = \frac{80875 \times 8}{1000} = 647$, or in other words move the decimal point three places to the left and multiply by eight.

Multiply $66 \times 333\frac{1}{3} = 66 \times \frac{1000}{3} = 22,000$

Mille.—A premium of 1‰ means 1 on every thousand equivalent to 1/10 of 1%.

On the continent of Europe the expression per mille is much used. and great care should be taken not to confuse the sign ‰ (per mille) with % (per cent.). 1‰ on the continent, therefore, is used instead of 1/10 of 1%, ½‰ for 1/20 of 1% and ¼‰ for 1/40 of 1% and so on.

Troy Weight.—Troy weight is used in Great Britain, Canada and the United States, in all transactions pertaining to gold and silver coin and bullion.

24 grains = 1 pennyweight (dwt)
20 dwt = 1 ounce
12 oz. = 1 pound troy.

A pound avoirdupois contains 7,000 grains, and a pound troy contains 5,760 grains. Troy weight is used by the British and United States Mints in weighing gold and silver, while the metric or decimal system is used by other nations.

1 grain	=		.06578895 grammes
24grains	=1 pennyweight (dwt)	=	1.55517481 "
20 dwt	=1 ounce (oz.)	=	31.103496 "
12 oz.	=1 pound troy	=	373.24195 "

A **gramme,** the unit of weight in the metric system, equals 15.43234874 grains troy.

APPENDIX B

THE OLD PAR OF EXCHANGE

The former method of quoting sterling exchange on the basis of a percentage on the old par of exchange (4.44\frac{4}{9}$ to the £) is gradually being abandoned. A short account of the history of the "old par of exchange" is interesting.

Briefly stated the English occupation of Canada in 1760 caused the withdrawal of the almost worthless "Ordonnances" and card money of the French regime, and the country found itself depending entirely on the gold and silver coins of other countries for its circulating medium. The English government found it necessary to import large quantities of Spanish milled dollars for the payment of the army, public supplies and works which they paid out at the rate of 4s. 6d. per dollar or 4.44\frac{4}{9}$ per pound sterling. In doing this, they simply adopted the par value of the pound sterling established by an Act of 1704 dealing with the currency question of the American colonies. This rate of 4.44\frac{4}{9}$ is what is called the "old par of exchange" and the present quotations are given in the form of a percentage of advance on the old par.

In 1792 the Act establishing the United States Mint was passed, and we now find the legal weight of the silver dollar given as 371.25 grains of pure silver, while the weight of the English shilling remained unchanged.

The sterling equivalent of this new dollar was

$$\frac{371.25\times 20}{1718.709}=4.3201 \text{ shillings}$$

and the value of the sovereign in terms of that dollar

$$\frac{1718.709}{371.25}=\$4.6295.$$

In 1837, the United States altered the ratio between gold and silver from 15.1:1 to 15.988:1. This undervaluation of silver practically made gold the standard of value and, from this time on, we have to deal with the relative value of the pure gold contained in the sovereign and in the gold dollar respectively. The gold dollar contains 23.22 grains of pure gold and the sovereign 113.001605. $4.86656 is now the "mint par" between North America and Great Britain, or an advance of 9.497679 or approximately 9½ per cent. on the old legal par of exchange of 4.444$\frac{4}{9}$.

By an Act of Parliament, $4.86⅔ per pound sterling, or 9½ per cent. premium on the old par was made the legal par of exchange for Canada. The United States continued to quote sterling by premium on the old par of exchange until 1873, when it was discontinued. Owing to the light weight of the sovereign at that time (112.149 grains) the actual premium stood at about 9 per cent.

The advance is reckoned as so much per cent. on $\$4.444\frac{4}{9}$, the old value of the pound. Therefore 8% premium on $4.44\frac{4}{9}$ amounts to .3555, which, added to 4.444, gives the equivalent of \$4.80 per pound.

Find the value of a draft for £100 at $9\frac{1}{8}\%$ premium.

Old par of exchange	\$4.4444
To which add $9\frac{1}{8}\%$ of itself	.4055
	\$4.8500

or \$485 for a £100 draft.

What is the premium when £1 =	\$4.8666
Deduct old par of exchange ($\$4\frac{4}{9}$)	4.4444
Advance over old par	.4222

4.444: 100:: .4222: $9\frac{1}{2}\%$ or $\frac{100 \times .4222}{4.444} = 9\frac{1}{2}\%$ premium on old par

This method may be simplified into the following rules:

(1) *To convert from a premium quotation to currency.*—Move the decimal point one place to the left and divide by $2\frac{1}{4}$ (or multiply by $\frac{4}{45}$). The currency equivalent of $109\frac{1}{8}$ by this rule would work out as follows:—

$$109\tfrac{1}{8} \div 2\tfrac{1}{4} = \tfrac{873}{8} \times \tfrac{4}{9} = 4.85$$

(2) *To convert from a currency to a premium quotation.*—Move the decimal point one place to the right and multiply by $2\frac{1}{4}$ (or multiply by $\frac{45}{4}$).

Thus:—$48.6\frac{2}{3} \times 2\frac{1}{4} = 109\frac{1}{2}$ or $9\frac{1}{2}$ per cent. premium on the old par.*

(3) Convert \$4.8645 into an old par quotation.

$$\begin{array}{l} 4.8645 \quad \times 2\tfrac{1}{4} \\ 4.8645 \\ 1.216125 \\ 10.945125 = 109.451 \text{ or } 9\tfrac{7}{16} + \tfrac{1}{64} \end{array}$$

These quotations advance by sixteenths and sometimes by sixty-fourths, thus:—$9\frac{7}{16}$, $9\frac{7}{16}+\frac{1}{64}$, $9\frac{7}{16}+\frac{1}{32}$, and so on.

A quick way to convert the decimal into a vulgar fraction to the nearest sixty-fourth is to learn the eighths by heart, the knowledge is always useful.

$\frac{1}{8}=.125$	$\frac{1}{2}=.50$	$\frac{7}{8}=.875$
$\frac{1}{4}=.25$	$\frac{5}{8}=.625$	
$\frac{3}{8}=.375$	$\frac{3}{4}=.75$	

*These two rules are based on the fact that at the old par of exchange one dollar was worth nine English six-pences, of which there are forty in the pound: therefore—

$$£1 = \tfrac{40}{9} \text{ or } \tfrac{10}{2.25}$$
$$\$1 = \tfrac{9}{40} \text{ or } \tfrac{2.25}{10}$$

Deduct the nearest eighth from the decimal and divide the remainder by sixteen. This will give the number of sixty-fourths to be added to the deduction. In the above example .375 or $\frac{3}{8}$ deducted from .451 leaves .076. Sixteen will go into 76 nearly five times, so we have $109\frac{3}{8}+\frac{5}{64}=109\frac{7}{16}$, or if a close quotation is desired, $109\frac{7}{16}+\frac{1}{64}$.

It is always to be borne in mind that all the fractions of the Canadian quotations are a fractional percentage *on the old par of exchange* and not on the present value of the pound sterling, the latter being about ten per cent. more. The difference between 109 and $109\frac{1}{8}$ is 55.55 cents per £100, while one-eighth of one per cent. on $485 is 60.62 cents: a difference of 5.1 cents per £100. An advance of a sixty-fourth in the Canadian quotation makes a difference of $6.944 per £10,000 or approximately $7.00. From this fact a short and useful conversion rule can be made.

Rule. Neglect 4.80 as common to all quotations and equivalent to 108%. Divide the remaining three figures in the quotation by 7; neglect the remainder, if any, and add one to the result. This will give the number of sixty-fourths over 8%.

Thus, to convert 4.8715, divide 715 by seven and add one. This gives 103 (102+1) as the number of sixty-fourths to be added to 108% or $1\frac{39}{64}=1\frac{9}{16}+\frac{3}{64}$, which, added to 108, gives the equivalent for the rate $4.8715 as $109\frac{9}{16}+\frac{3}{64}$.

This rule is accurate to the nearest sixty-fourth up to and including $4.8875=9\frac{15}{16}+\frac{1}{32}$. After that it will be found necessary to increase the remedy for degree of error to two sixty-fourths. This rule will, of course, work conversely, from Canadian to currency quotations, by multiplying the number of sixty-fourths in excess of 8% premium by 7, and, for remedy of error, deducting 1 per cent. from the results.

To find the equivalent of $9\frac{3}{16}+\frac{1}{64}$ by this rule:

$$9\frac{3}{16}+\frac{1}{64}=8+\frac{77}{64}, \text{ and } 77\times7=539,$$

1 per cent of which, namely 5, being deducted leaves 534, and the equivalent rate is 4.8534.

The equivalent of 1/64% to 1% on the old par are as follows:

£10,000 at 8% = 48,000	8+1/4 = 48,111.111
8+1/64 = 48,006.944	8+3/8 = 48,166.666
8+1/32 = 48,013.888	8+1/2 = 48,222.222
8+3/64 = 48,020.833	8+5/8 = 48,277.777
8+1/16 = 48,027.777	8+3/4 = 48,333.333
8+1/8 = 48,055.555	8+7/8 = 48,388.888
	9 = 48,444.444

Any equivalent can be calculated from the above data.

$$9-7/16=4.844444+.016666+.002777=4.86388$$

APPENDIX C

TEST QUESTIONS

(Set by Queen's University, Kingston, for Fellow's Course, C.B.A.)

1. (a) A New York banker is asked to buy from an exporter a sixty-day bill on London for £1,420. London discount rate is $2\frac{7}{8}$ per cent. Demand bills are quoted in New York at 4.8620. Figuring interest on the basis £100=$485, and allowing for stamps, and the New York banker's commission of a $\frac{1}{4}$ of 1%, work out the proceeds which the exporter will receive.

(b) If New York funds are at 3/64 premium in Montreal, give the Montreal equivalent of the rate paid.

2. Demand sterling in New York is quoted at 4.8620. New York funds in Montreal are at 1/16 premium. Calculate the Canadian rates respectively for demand, three days' sight, and sixty-day bills, quoting them in terms of a premium on the "old par," $4.44\frac{4}{9}$. In case of sixty-day rate allow for stamps and interest on the basis of £100=$485, but do not allow for commission. London discount rate is $4\frac{1}{8}$ per cent.

3. A banker in Montreal opens an account with a London bank, his initial transaction being the purchase of a demand bill on London, £10,000 at 4.8520, which bill he forwards to the London bank for credit of his account, and subsequently passes through the account the following items:—

Debits to London Correspondent (representing demand exchange bought by Montreal banker):—£210 bought at 4.85; £460 bought at 4.8450; and £1,050 bought at 4.8420.

Credits to London Correspondent (representing demand exchange sold by Montreal banker):—£150 sold at 4.8650; £800 sold at 4.8620; £720 sold at 4.86. It being understood that the Montreal banker keeps his books in the form described on page 522 (second paragraph) of "Banking Practice and Foreign Exchange," show his actual profit on conclusion of the above transactions, on a date on which demand sterling is worth 4.8550—no allowance to be made for interest, stamps or commission. Show exactly how you arrive at this actual profit.

4. A bank in Montreal sells locally its demand bill on London for £5,000 at premium of $8\frac{5}{8}+1/32$ and transfers the exact proceeds to New York through purchasing New York funds in Montreal at 1/16 discount. What will be the amount of New York funds received by the bank?

5. A Canadian bank receives for collection a bill of exchange for $1,600 flat (not drawn with exchange) drawn by a merchant in Hamburg, Germany, on a Canadian importer, the instructions being to remit to Berlin, Germany. The bank in Canada charges $\frac{1}{8}$% for

collecting the bill. New York funds are quoted at 1/32 premium on the date on which bill is paid. Rate of exchange on Germany in New York is $95\frac{1}{4}$, meaning that 4 marks can be purchased for $95\frac{1}{4}$ cents. At rates quoted above, what amount in marks will the Hamburg merchant receive?

6. The cheque rate in New York on Paris is $5.16\frac{7}{8}+3/64$. The discount rate in Paris is 3%.

(a) What rate should be paid in New York for a 60-day bill to give ¼ of 1% profit?

(b) What rate would be paid in Montreal, New York funds being at a discount of 1/32?

(c) If the Bill of Exchange was for 23,240 francs, how much would it realize?

7. A demand cheque on Berlin is quoted at $95\frac{1}{2}+1/32$; discount rate $3\frac{7}{8}$ per cent.

(a) What rate should be paid for a 90-day bill to give ⅛ of 1% profit?

(b) What rate would be paid in Montreal, New York funds being at a premium of 3/64?

(c) If the Bill of Exchange was for 42,600 marks, what amount would be realized?

8. (a) 40 pounds troy of standard gold (11/12ths fine) is coined into 1,869 sovereigns.

Find the value in £ sterling of an ounce of standard gold and an ounce of pure gold.

(b) 43 ounces of mint gold (9/10ths fine) are coined into $800.

Find the value in dollars of an ounce of mint gold and an ounce of pure gold.

(c) From the above data find the following values:—

1. A pound sterling in dollars.
2. A standard ounce of gold in dollars.
3. A mint ounce of gold in pounds sterling.
4. The weight in grains of the dollar and the pound sterling.

9. 1,000 grammes of pure gold can be minted into:—

Pounds sterling, 136.5675.
North American $, 664.6144.
Japanese yens, $1333.33\frac{1}{3}$.
Scandinavian crowns, 2480.
German marks, 2790.
Austrian crowns, 3280.
Francs, $3444.444\frac{4}{9}$.

From the above find:—

1. How many grammes of pure gold are contained in the franc and the mark.

2. The value of the last three in Canadian money.

10. A merchant makes a requisition for the following drafts and is quoted as follows: –

£1,000 at 4.8675.
2,000 francs 5.18 1/8 - 1/32.
4,000 marks 96 1/4 + 1/64.
2,000 florins at 40 + 1/64.
400 francs at .193.
$500 local currency on Hong Kong at 48.85.

(a) Find the amount in dollars that he has to pay.

(b) How much of each of the above foreign currencies could he obtain for $1,000, at the rates mentioned?

Model Solutions

The concise solutions given below will enable students to check up their work or will suggest alternative methods. In actual practice these problems would nearly all be solved with the assistance of exchange tables, involving little work. A knowledge of the process by which the results are reached is essential, however, if the bank officer desires to have more than a mechanical facility, and wishes to be ready to meet new conditions requiring independent reasoning.

Note.—For convenience, and to avoid ciphers, the calculations in questions 1, 2, 6 and 7 are based on the equivalents of £100, of $100 (for francs) and of 400 marks.

Question 1.

(a) Demand rate .... £100 =	486 20
Deduct 63 days' interest at 2⅞	2 41
Deduct stamp	24
Deduct commission ¼%	1.22
	482 33

Value of 60 day bill 4.8230
(the nearest commercial quotation to 4.8233; if selling, the nearest quotation would be 4.8235).
£1,420 at 4.8230 = $6,848.66.

(b) Value of 60 day bill in New York = 482.33 + 3/64 of itself, (23 cents) = 482.56.
Montreal equivalent = 4.8255
(nearest commercial quotation to 4.8256).

Question 2.

Demand rate

New York demand rate .... £100 =	486 20
Add 1/16 of itself	.31
	486 51

Rate in currency.........................4.8651.
Move decimal one place to right and multiply by $2\frac{1}{4}$.
$48.651 \times 2\frac{1}{4} = 109.46475$
Deduct nearest eighth, ($\frac{3}{8}$) .375

090 ÷ 16 = 6 or 6/64.

Canadian demand rate $109\frac{3}{8} + 6/64$ = Premium of 9 7/16 + 1/32.

Three Days' sight rate

New York demand rate + 1/16% of itself gives.................. £100 = 486.51
Deduct six days' interest at $4\frac{1}{8}$.................................. .33

486.18

$48.618 \times 2\frac{1}{4}$ = ...109.3905
Deduct nearest eighth, ($\frac{3}{8}$) 375

.016

Canadian three days' sight rate $109\frac{3}{8} + 1/64$ = Premium of $9\frac{3}{8} + 1/64$.

Sixty-day rate

New York demand rate + 1/16% of itself = ... £100 = 486.51
Deduct 63 days' interest at $4\frac{1}{8}$%.................................. 3.46
Deduct stamps.. .24

Canadian 60 day rate......£100 = ... 482.81
$48.281 \times 2\frac{1}{4}$ = ...108.63225
Deduct nearest eighth, ($\frac{5}{8}$) .... .625

007

Canadian 60 day rate $108\frac{5}{8} = 8\frac{5}{8}$ premium.

Question 3.

Purchases

£10,000 at 4.8520 = $48,520
210 at 4.85 = 1,018.50
460 at 4.8450 = 2,228.70
1,050 at 4.8420 = 5,084.10

£11,720 $56,851.30 = total amount paid.

Amount debited to London
£11,720 at $4.86\frac{2}{3}$ = $57,037.33

Difference—credited to
Foreign Exchange Acct. 186.03

Sales

£150 at 4.8650 = $ 729.75
800 at 4.8620 = 3,889.60
720 at 4.86 = 3,499.20

£1,670 $8,118.55 = total amount received.

Amount credited to London
£1,670 at $4.86\frac{2}{3}$ = $8,127.33

Difference—debited to
Foreign Exchange Acct. 8.78

Balance at debit of London

Purchase, £11,720 - Sales, £1,670 = £10,050 at $4.86\frac{2}{3}$ = ... $48,910
Balance £10,050 is worth (at 4.8550)........................... 48,792.75

Difference (representing an offset to credit balance in Foreign
Exchange Acct.) = ...$ 117.25

Summary

Credits to Foreign Exchange Acct	$186 03
Debits to Foreign Exchange Acct......................	8 78
Balance at credit	177 25
Less off-set (as above)	117 25
	$ 60 00 = Net profits.

Question 4.

1. 8% premium is represented by ...... $\frac{1728}{360}$

$8\frac{5}{8}$ premium is represented by .... $\frac{1738}{360}$

$8\frac{5}{8}+1/32$ premium is represented by....... $\frac{1738\frac{1}{2}}{360}$

£5,000 × 1738½ + 360 = $24,145 83.

New York Funds being at 1/16 discount.

$99 15/16 Montreal funds purchases $100 New York funds

$1 Montreal funds purchases 100 + 99 15/16

$24,145.83 Montreal funds purchases $\frac{100}{99\frac{15}{16}}$ × 24,145.83 = $24,160.92.

2. *Or by method in footnote 2, p. 517, "Banking Practice."*

1/16 on £10,000 = $ 31 00
1/16 on 5,000 = 15 50
$24,145 83 + $15.50 = $24,161 33

3. $24,145.83 + $15 09 (1/16 of 1% of itself) = $24,160.92.

Question 5.

Amount collected $1,600; less $\frac{1}{8}\%$ commission = $1,598
Rate of exchange on Germany in New York, 4 marks = $95\frac{1}{4}$ cents
Premium of 1/32 on New York funds in Montreal is equivalent to making the

German exchange rate $95\frac{1}{4}+1/32$

$\frac{95\frac{1}{4}+1/32 \text{ of } 1\%}{4} = \frac{95.25+.029765}{4} = \frac{95.279665}{4} = 23.81994$ cents per mark.

1598 ÷ .2381994 = 6708.66 marks. Answer.

or

$\frac{.9525}{4} = .238125 + 1/32$ of 1% or $.0000744 = .2381994$

1598 + .2381994 = 6708.66 marks.

Question 6.

(a) $516\frac{7}{8}$ = ...516 875
Less 3/64 of 1%............ .243

516 632

Add

60 days int. at 3%.....2.60
Stamps 1/20 of 1%.... .26
Profits ¼ of 1%.......1.291 4.151

520.783

or 520.625 + .157 or $520\frac{5}{8}$ + (2/64 of 1% of franc value) = $520\frac{5}{8}-1/32$.
Answer.

$\frac{5}{8}$ centime represents .625 centime and .081 centime represents 1/64 of 1%, therefore .783 centime equals .625+.157 centime, or nearly $\frac{5}{8}$+1/32 of 1% of franc value; when applied to dollars the plus sign becomes a minus, hence the rate is 520$\frac{5}{8}$−1/32

(b) New York rate for 60 day bills.................................520.783
Add 1-32 of 1%, discount on N.Y. funds........................ .162
520.945 or

520$\frac{5}{8}$+.00320 or 520$\frac{5}{8}$−1/16. Answer.

Another way:

New York rate for 60 day bills = ... 520$\frac{5}{8}$−1/32
Deduct discount on N.Y. funds. 1/32
520$\frac{5}{8}$−1/16

(c) 60 day bill is worth in N.Y. 5.20783 or 520$\frac{5}{8}$−1/32
23240 ÷ 5.20783 = \$4462.46. Answer.

or 60 day rate,

23240 ÷ 520$\frac{5}{8}$ = 4463.86
Less 1/32 1.40
—— 4462.46. Answer.

Question 7.

(a) 95$\frac{1}{2}$ =			95.50
Add 1/32 of 1%			.03
95$\frac{1}{2}$+1/32 =			95.53
Deduct			
Interest at 3$\frac{7}{8}$% (90 days on 95)		.920	
Stamp		.05	
Profit $\frac{1}{8}$ of 1%		.119	1.089
			94.441 =

94.4375 + .004 = 94 7/16

(1/64 of 1% on 95 being equal to .00015 per four marks, 94 7/16 is the nearest commercial quotation.)

(b) 94.441
Add 3/64 of 1% premium on New York funds.... .045
94.486 =

94.50 .014 = 94$\frac{1}{2}$−1/64. Answer.

(c) $\frac{.94441}{4}\times 42600 = .23610\times 42600 =$ \$10,057.86. Answer.

Question 8.

(a) 40 lbs. Troy or 480 ounces standard gold are worth £1,869, therefore 1 ounce standard gold = 1869/480 = £3.89375 or £3. 17s. 10$\frac{1}{2}$d. per ounce.

In 480 ounces of standard gold there are 440 ounces of pure gold (11/12); therefore 1 ounce of pure gold = 1869/440 = £4.24772 or £4. 4s. 11.45d. per ounce.

(b) 43 ounces Troy of mint gold are worth \$800.
Therefore 1 ounce of mint gold is worth 800/43 = \$18.60465 per ounce.

In 43 ounces of mint gold there are 9/10 or 38.7 ounces of pure gold.

Therefore 1 ounce of pure gold = $\frac{\$800}{38.7}$ = \$20.671834 +

(c) 1.

$$\left.\begin{array}{ll} & \dfrac{800}{38.7}\times\dfrac{400}{1869} \\[2ex] \text{(a \& b) or} & \$20.671834\times\dfrac{440}{1869} \\[2ex] \text{(a \& b) or} & \dfrac{20.671834}{4.24772} \\[2ex] \text{(c4) or} & \dfrac{113.001605}{23.22}\text{ grains} \end{array}\right\} = \$1.86655$$

(c) 2. An ounce of pure gold costs...........$20.671834
Less 1/12..................... 1.722653

An ounce of standard gold is worth....$18.949181

The conversion of £3.89375 at par into dollars would give the same result.

(c) 3. An ounce of pure gold costs. £4.247727272
Less 1/10 424772727

An ounce of mint gold is worth..... £3.822954545 or £3. 16s. 5½d.

(c) 4. $800 mint gold weighs 43 ounces; therefore 1 dollar weighs 43/800 ounces or 43/800×480 grains = 25.8 grains. Deducting 1/10 gives the weight of pure gold in the dollar as 25.8 − 2.58 = 23.22.

A sovereign contains 480/1869 ounces or 480×480/1869 grains = 123.27447 grains.

Deducting 1/12 gives the weight of pure gold in the sovereign as 123.27447 − 10.27287 = 113.0016 grains, or

$\dfrac{440}{1869}\times 480$ grains = 113 1/623 grains or 113.001605.

Question 9.

(1) Grammes of pure gold in franc =

$$\frac{1000}{3444\ 4/9}=\frac{1}{3\ 4/9}=\frac{9}{31}=.2903225\text{ grammes.}$$

Grammes of pure gold in mark = 1000/2790 = .3584229 grammes.

(2)

$$\$664.6144=\left\{\begin{array}{llll} \text{2790 marks, therefore one mark} & & & =\dfrac{664.6144}{2790}=\$.238213 \\[2ex] \text{3280 crowns,} & \text{"} & \text{" crown} & =\dfrac{664.6144}{3280}=\$.202626 \\[2ex] \text{3444 4/9 francs,} & \text{"} & \text{" franc} & =\dfrac{664.6144}{3444\ 4/9}=\$.192953 \end{array}\right.$$

Question 10.

(a) 1. £1,000 at 4 8675........................ = 4867 50

2. Francs 2000 at 5.18½ − 1/32............. = 385.88

2000 ÷ 5 18125 = $386.00
Less 1 32 of 1% .12

$385.88

3. Marks 4000 at 96¼ + 1/64.... .... = 962.65
(.96250 + .00015 = .96265)

4. Florins 2000 at 40 + 1/64........... ..... = 800.12
2000 × .40 = 800 + (1-64 or .12)

5. Francs 400 at .193........................ = 77 20

6. Local Currency $500 at 48.85............. = 244 25

Answer = 7,337.65

(b) $1,000 at the above rates will purchase:

Sterling, 4 8675 = 1000 ÷ 4.8675 = ...	Sterling,	£205.4442
Francs, 5.18⅛ − 1/32 = ...	Francs	5182.86
Marks, 96¼ + 1/64 = 1000 ÷ .96265 4] = ...	Marks	4155.19
Florins, 40 + 1 64 ($1000 ÷ .40 = 2500 *less* 1, 64 .39) = ...	Florins	2499.61
Francs, at .193 = 1000 ÷ .193 = ...	Francs	5181.35
Local Currency at 48 85 = 1000 ÷ .4885 = ...	Local Currency	2047.08

APPENDIX D

TABLES

TABLE I.

Statement of Metal Contents and Equivalent Value of the Monetary Units of Various Countries

Country	Unit (Gold)	Fineness	Value* in Dollars	Value in Pence	Grammes†		Grains†	
					Fine	Standard	Fine	Standard
Egypt	£E (100 piastres)	875	4.9429	243.733	7.4375	8.500	114.778125	131.175
Great Britain	£ (20 shillings)	916⅔	4.8666	240	7.322382	7.988055	113.001605	123.27447
Turkey	£T (100 piastres)	916⅔	4.3966	216.8	6.61466	7.216	102.07981	111.3598
Portugal	Escudo (1000 reis)	900	1.0805	53.284	1.62571	1.806314	25.088526	27.87614
Uruguay	Peso (100 centavos)	917	1.0342	50.9865	1.55614	1.69717	24.01435	26.19747
North America	Dollar (100 cents)	900	1.	49.316	1.5046315	1.671813	23.220	25.800
Argentina	Peso (100 centavos)	900	.9647	47.58	1.451612	1.6129	22.40176	24.89084
Brazil	Milreis (1000 reis)	916⅔	.54634	26.934	.8217783	.8964854	12.68657	13.83989
Russia	Rouble (100 kopecks)	900	.51455	25.371	.774234	.86026	11.94826	13.27584
Japan	Yen (100 sen)	900	.49844	24.582	.750	.83333	11.57422	12.86024
Mexico	Peso (100 centavos)	900	.49844	24.582	.750	.83333	11.57422	12.86024
Holland	Florin (100 cents)	900	.40195	19.823	.6048	.6720	9.33349	10.37054
Chili	Peso (100 centavos)	916⅔	.36497	18.	.5491788	.5991041	8.47512	9.24558
India (Br.)	Rupee (16 annas)	916⅔	.3244	16	.4881589	.532537	7.53344	8.218298
Scandinavian Union	Crown (100 ore)	900	.26797	13.216	.4032258	.4480286	6.22274	6.91415
Germany	Mark (100 pfennige)	900	.23818	11.756	.3584229	.3982477	5.53130	6.14589
Austria-Hungary	Crown (100 heller)	900	.20262	9.993	.304878	.33875338	4.70498	5.22776
Latin Union	Franc (100 centimes)	900	.192947	9.516	.2903225	.322580	4.48036	4.97817
Venezuela	Bolivar (100 centavos)	900	.192947	9.516	.2903225	.322580	4.48036	4.97817

* Values quoted by the Director of the United States Mint (calculations based on 15.432 grains to the gramme).

†Calculations based on 15.43235 grains to the gramme.

TABLE II.

Statement of Equivalent Values of the Monetary Units of Various Countries

Country	Great Britain		North America	Holland	Scandinavian Union	Germany	Austria-Hungary	Latin Union
	Pounds	Pence	Dollars	Florins	Crowns	Marks	Crowns	Francs
Great Britain. . *£1. Stg*	1.	240	4 866563	12 107110	18 159515	20 42946	24 017426	25 22154
Portugal.. . . . .*Escudo*	222019	53 28458	1 080470	2 688010	4 031761	4 535733	5 332321	5 599670
Uruguay. . . . . *Peso*	212518	51 00438	1 034233	2 572990	3 858223	4 341631	5 104140	5 360039
North America. .*Dollar*	.205484	49 31611	1.	2 487816	3 731485	4 197922	4 935192	5 182621
Argentina. . . . . *Peso*	.198243	47 57834	.964762	2 400152	3 600000	4 050000	4 761288	5 000000
Brazil. . . . . *Milreis*	.112228	26 93477	.546166	1 358760	2 038010	2 292762	2.695433	2 830571
Russia. . . . .*Rouble*	.105735	25 37124	514567	1 280118	1 918100	2 160113	2 539488	2 666806
Japan. . . . . *Yen*	.102426	24 58217	.498461	1 240079	1 860000	2 092500	2 460000	2 583333
Holland . . . . *Florin*	.082596	19 82301	401960	1.	1 499001	1 687392	1 983741	2.083200
Chili. . . . . *Peso*	.075	18.	.364992	.908033	1 361963	1 532206	1 801306	1.891616
India (Br.). . . . . *Rupee*	066666	16	.324438	.807141	1 210634	1 361963	1 601161	1 681436
Scandinavian Union *Crown*	.055068	13.21622	.267990	.666709	1	1 125000	1 322581	1 388889
Germany. . . . . . . *Mark*	.048949	11 747736	.238213	.592630	.888889	1.	1 175627	1 234568
Austria-Hung'y.*Crown*	.041636	9 99276	.202626	.504097	.756097	.850610	1.	1 050136
Latin Union. . . . . *Franc*	.039649	9 51569	.192953	.480030	.720000	.810000	.952258	1.

Calculations based on 15 43235 grains to the gramme.

TABLE III.

Table showing various values of $1,000 and Fcs. 1,000 at rates of exchange ranging from Francs 5.10 to Francs 5.25 per dollar.

See Section 35 for Explanation

C/160	$1,000	Rate of Exchange	Fcs. 1,000
816	Fcs. 5,100.	5.10	$196.078431
	.797		*.030637*
817	5,106.25	5.10⅝	195.838433
	.798		*.030599*
818	5,112 50	5 11¼	195.599032
	.799		*.030562*
819	5,118.75	5 11⅞	195.360195
	800		*.030525*
820	5,125.	5.12½	195.121951
	.801		*030487*
821	5,131.25	5.13⅛	194.884287
	.802		*.030450*
822	5,137.50	5.13¾	194.647202
	.803		*.030413*
823	5,143.75	5.14⅜	194.410693
	8038		*030377*
824	5,150	5 15	194.174757
	8048		*.030340*
825	5,156.25	5.15⅝	193.939394
	.8058		*.030303*
826	5,162.50	5.16¼	193.704600
	.8068		*.030266*
827	5,168 75	5.16⅞	193 470375
	.8078		*.030230*
828	5,175.	5 17½	193.236715
	.8087		*030193*
829	5,181.25	5.18⅛	193 003619
	.8097		*.030157*
830	5,187.50	5.18¾	192 771084
	.8107		*.030120*
831	5.193 75	5.19⅜	192 539109
	.8117		*.030086*
832	5,200	5 20	192 307692
	8126		*.030048*
833	5,206 25	5.20⅝	192.076831
	8136		*.030011*
834	5,212.50	5.21¼	191 846521
	8146		*029977*
835	5,218.75	5 21⅞	191.616766
	.8156		*029941*
836	5,225.	5 22½	191.387560
	8516		*029904*
837	5,231 25	5 23⅛	191 158901
	8175		*029866*
838	5,237.50	5 23¾	190 930787
	.8185		*029828*
839	5,243.75	5 24⅜	190.703218
	.8195		*.029791*
840	5,250.	5.25	190 476190
	8204		*.029753*

The addition or substraction of the decimals in italics from the rates give sufficiently close results for all practical purposes. To obtain the *exact* value of the dollar, it would be necessary to find the reciprocal of the net cent value of the franc after allowing for the fraction.

520+1/64 by the table would be 5 20—.0008126 = 5 1991874

The exact value is found by finding the value of the franc at 5.20+1/64 = .192307692 + .000030048 = .19233774 which divided into unity will give the exact value of the dollar as 5.1991876.

TABLE IV.

Statement Showing Values of $1,000 and Marks 1,000 at Varying Rates of Exchange.

See Section 42 for Explanation.

C / 3200	$1,000	Rate	Mks. 1,000
	Marks		Dollars
752	4,253 3191	94	235 000
	6647		*0367188*
	4,252 4917	94 1/16	235.15625
	.6644		*.0367432*
753	4,249 6680	94 1/8	235 31250
	.6639		*.0367676*
	4,246 8480	94 3/16	235 46875
	.6634		*.0367920*
754	4,244.0318	94 1/4	235 62500
	.6630		*.0368164*
	4,241.2194	94 5/16	235.78125
	.6626		*.0368408*
755	4,238 4106	94 3/8	235 93750
	6622		*.0368652*
	4,235 6056	94 7/16	236 09375
	.6618		*.0368896*
756	4,232 8042	94 1/2	236.25
	6613		*0369141*
	4,230 0066	94 9/16	236.40625
	6608		*.0369385*
757	4,227 2127	94 5/8	236 56250
	.6604		*0369629*
	4,224 4224	94 11/16	236 71875
	6599		*.0369873*
758	4,221 6359	94 3/4	236.87500
	6595		*.0370117*
	4,218 8530	94 13/16	237.03125
	.6591		*.0370361*
759	4,216 0738	94 7/8	237.18750
	.6587		*.0370605*
	4,213.2982	94 15/16	237.34375
	.6582		*.0370850*
760	4,210.5263	95	237.5
	.6578		*.0371094*
	4,207.7531	95 1/16	237.65625
	.6574		*.0371338*
761	4,204.9934	95 1/8	237.81250
	.6569		*.0371582*
	1,202.2324	95 3/16	237.96875
	.6565		*.0371826*
762	4,199.4751	95 1/4	238.12500
	6561		*0372070*
	4,196.7213	95 5/16	238 28125
	.6556		*0372314*
763	4,193 9712	95 3/8	238 43750
	6551		*.0372558*
	4,191.2246	95 7/16	238 59375
	.6548		*0372802*
764	4,188 4817	95 1/2	238 75000
	6544		*.0373047*
	4,185.7423	95 9/16	238 90625
	.6539		*.0373291*
765	4,183 0065	95 5/8	239 06250
	.6535		*.0373535*
	4,180.2743	95 11/16	239 21875
	.6530		*.0373779*
766	4,177.5457	95 3/4	239 37500
	.6526		*.0374023*
	4,174.8206	95 13/16	239 53125
	.6522		*0374267*
767	4,172 0991	95 7/8	239 68750
	.6518		*0374512*
	4,169 3811	95 15/16	239 84375
	.6514		*.0374756*
768	4,166 6666	96	240
	.6510		*0375*
	4,163 9558	96 1/16	240 15625
	6506		*.0375244*
769	4,161 2484	96 1/8	240.31250
	6501		*.0375488*
	4,158 5445	96 3/16	240 46875
	.6497		*0375732*
770	4,155.8442	96 1/4	240.62500
	.6493		*.0375976*
	4,153 1473	96 5/16	240 78125
	.6488		*.0376220*
771	4,150.4540	96 3/8	240 93750
	.6484		*0376464*
	4,147.7641	96 7/16	241.09375
	.6480		*.0376708*
772	4,145 0777	96 1/2	241 25000
	.6475		*.0376952*

TABLE V.

Moneys of Account Used in the Different Countries of the World

Currency in which drafts should be drawn	M. S.	Country	Monetary Unit	Approximate Equivalents: Dollars $	c.	Sterling £	s	d
£ Fcs	*S	*Abyssinia*	Maria Theresa Dollar and Talari		46 04		1	11
£	*S	*Afghanistan*	Rupee (16 Annas) *India*		32 44		1	4
$	G	Alaska, *(U.S.A.)*	Dollar (100 cents) *U.S.A.*	1	00,000		4	1½
Fcs £	G	Algeria *(France)*	Franc (100 Centimes) *Latin Union*		19,295			9¾
£ $	G	Argentine Republic	Peso (100 Centavos)		96 476		4	0
£	G	Australia *(Gt. Brit)*.	Pound Sterling. *Stg.*	4	86 666	1	0	0
£ Mks	G	Austria-Hungary	Krone (100 Heller)		20 262			10
£	*S	*Baluchistan* *(Gt. Brit.)*	Rupee (16 Annas) *India*		32 44		1	4
Fcs	G	Belgium	Franc (100 Centimes) *Latin Union*		19 295			9¾
£ $	G	Bolivia	Boliviano (100 Centavos)		38 93		1	7½
£	G	Borneo *(Gt. Brit.)*	Pound Sterling *Stg.*	4	86 666	1	0	0
£ $	G	*Brazil*	Milreis (1,000 Reis)		54 634		2	2¾
£ $	G	British Guiana *(Gt. Brit.)*	Pound Sterling *Stg.*	4	86 666	1	0	0
£ Fcs	G	Bulgaria	Lew (100 Stotinki) *Latin Union*		19 295			9¾
£	S	Burma *(Gt. Brit.)*	Rupee (16 Annas) *India*		32 44		1	4
$	G	Canada *(Gt. Brit.)*	Dollar (100 Cents)	1	00 000		4	1½
£	G	Cape Colony *(Gt. Brit.)*	Pound Sterling *Stg.*	4	86 666	1,	0	0
£	S	Ceylon *(Gt. Brit.)*	Rupee (100 Cents) *India*		32 44		1	4
£	G	Chili	Peso (100 Centavos)		36 499		1	6¼
Mex $	*S	*China*	Dollar (100 Cents)		50 000		2	1
Mex $ £ $	S	*Hongkong* *(Gt. Brit.)*	Dollar (100 Cents)		49 000		2	0½
$ £	S	*Shanghai*	Tael (10 Mace or 100 Candareens)		69 000		2	10½
£ $	*G	*Columbia, U. S. of*	Peso (100 Centavos)	1	00 000		4	1½
Fcs £	G	Congo Free State *(Belg'm)*	Franc (100 Centimes) *Latin Union*		19 295			9¾
£ $	G	Costa Rica	Colon (100 Centimos)		46 535		1	10¾
$	S	Cuba *(U.S.A.)*	Peso (100 Centavos)		92 6		3	10
£	G	Denmark	Krone (100 Ore) *Scan. Union*		26 797		1.	1½
£ $	G	Dominican Republic	Dollar (100 Cents)	1	00 000		4.	1½
£ $	G	Dutch Guiana *(Holland)*	Guilder (100 Cents) *Holland*		40 196		1.	8¼
£ $	G	Ecuador	Sucre (100 Centavos) 1/10 *of £*		48 666		2.	0
£	G	Egypt *(Gt. Brit.)*	Pound (100 Piastres or 1,000 Milliemes)	4	94 29	1	0.	3¼
£	G	England *(Gt. Brit.)*	Pound Sterling *Stg.*	4	86 666	1.	0.	0
£	G	Faroe Islands *(Denmark)*	Krone (100 Ore) *Scan. Union*		26 797		1.	1½
£, Fcs, Mks	G	Finland *(Russia)*	Finmark (100 pennia) *Scan. Union*		19 295			9¾
£	G	Fiji *(Gt. Brit.)*	Pound Sterling *Stg.*	4	86 666	1.	0.	0
£	G	France	Franc (100 Centimes) *Latin Union*		19 295			9¾
£ Mks	S	German E. Africa *(Ger.)*	Rupee (100 Heller) *India*		32 41		1	4
£	G	German Empire	Mark (100 Pfennige)		23 818		1	0
£	G	Great Britain	Pound Sterling (20 Shillings or 240 Pence or 960 Farthings) *Stg.*	4	86 666	1.	0.	0
Fcs £	G	Greece	Drachma (100 Lepta) *Latin Union*		19 295			9¼
£ $	*S	*Guatemala*	Peso (8 Reales or 100 Centavos)		44 46		1	10½
$	G	Hawaii *(U.S.A.)*	Dollar (100 Cents) *U.S.A.*	1	00 000		4.	1½
£ $	*G	*Haiti*	Gold Gourde (5 Francs or 100 Centimes)		96 476		4	0
£, Fcs, Mks	G	Holland	Guilder or Florin (100 Cents) *Holland*		40,196		1	8¼
£ $	*S	*Honduras*	Peso (100 Centavos)		44 46		1	10½
£	G	Iceland *(Denmark)*	Krone (100 Ore) *Scan. Union*		26 797		1.	1½
£	G	India *(Gt. Brit.)*	Rupee (16 Annas or 192 Pies)		32 44		1.	4
Fcs £	*S	*Indo-China* *(France)*	Piastre (100 Cents)		44 4		1.	8¾
Fcs	G	Italy	Lira (100 Centesimi) *Latin Union*		19 295			9¾
£ Mex. $	G	Japan	Yen (100 Sen) *Japan*		49 846		2	1
£ Mex. $	G	Java *(Holland)*	Florin (100 Cents) *Holland*		40 196		1	8¼
£ Mex. $	G	Korea *(Japan)*	Won (100 Chon) *Japan*		49 846		2	1
$	G	Liberia	Dollar (100 Cents)	1	00 000		4.	1½
Fcs, Mks	G	Luxemburg	French, German & Dutch money cur.					
Mex. $	*G	*Manchuria* *(Japan)*	Yen (100 Sen) *Japan*		49 846		2.	1
Fcs, £, $	G	Martinique *(France)*	Franc (100 Centimes) *Latin Union*		19 295			9¾
$	*G	*Mexico*	Peso (100 Centavos)		49 844		2	1
£ Fcs	G	Monaco	Franc (100 Centimes) *Latin Union*		19 295			9¾
Fcs, Mks	G	Montenegro	Austrian & Russian money current					
£, Fcs	G	Morocco	Spanish & French money current		19 295			9¾
£	G	Natal *(Gt. Brit.)*	Pound Sterling *Stg.*	4	86 666	1.	0.	0
£	G	Netherlands	See Holland					
$ £	G	Newfoundland *(Gt. Brit.)*	Dollar (100 Cents)	1	01.430		4	2
£	G	New Zealand *(Gt. Brit.)*	Pound Sterling *Stg.*	4	86 666	1	0.	0
£ $	G	Nicaragua	Cordoba (100 Centavos) *U.S.A.*	1.	00 000		4.	1½
£	G	Norway	Krone (100 Ore) *Scan. Union*		26 797		1	1½
$	G	Panama	Balboa (2 Pesos or 100 Cents) *U.S.A.*	1	00 000		4.	1½

Currency in which drafts should be drawn	M. S.	Country		Monetary Unit	Approximate Equivalents Dollars $	c.	Sterling £	s	d
£, Fcs	*S	*Persia*		Kran (20 Shahis)		7 500			4
£ $	G	Peru		Libra (10 Soles, 100 Dineros, 1,000 Centavos)	4	86 666	1	0	0
$	S	Philippine Is.	(U.S.A.)	Peso (100 Centavos) U.S.A.		50 000		2	1¼
$ £	G	Porto Rico	(U.S.A.)	Dollar (100 Cents) U.S.A.	1	00 000		4	1½
£ Fcs	G	Portugal		Escudo (100 Centavos, 1,000 Reis)	1	08 050		4	5
Fcs £	G	Roumania		Lew (100 Bani) *Latin Union*		19 295			9½
£ Fcs	G	Russia		Rouble (100 Kopecks)		51 456		2	1
£ $	*S	*Salvador*		Peso (100 Centavos)		44 16		1	10½
Fcs £	G	Serbia		Dinar (100 Paras) *Latin Union*		19 295			9½
£	G	Siam		Dollar (10 Ticals, 40 Salungs, 1,000 Atangs)	[illegible]	70 84		15	5½
£	G	South Africa (Br.)	(*Gt. Brit.*)	Pound Sterling *Stg.*	4	86 666	1	0	0
£ Fcs	G	Spain		Peseta (100 Centesimos) *Latin Union*		19 295			9¾
£	S	*Straits Settlm'ts*	(*Gt. Brit.*)	British Dollar (100 Cents)		56 77		2	4
£ Mex. $	G	Sumatra	(*Holland*)	Florin (100 Cents) *Holland*		40 196		1	8¼
£ Mks	G	Sweden		Krona (100 Ore) *Scan. Union*		26 797		1	1½
Fcs £	G	Switzerland		Franc (100 Centimes) *Latin Union*		19 295			9¾
Fcs £	G	Tunis	(*France*)	Franc (100 Centimes) *Latin Union*		19 295			9¾
£, Fcs, Mks	G	Turkey		Lira (100 Piastres, 4,000 Paras)	4	39 66		18	0¾
$	G	United States		Dollar (100 Cents) *U.S.A.*	1	00 000		4	1½
£ $	G	Uruguay		Peso (100 Centesimos)	1	03 42		4	3
£ $	G	Venezuela		Peso (Bolivar, 100 Centavos) *Latin U.*		19 295			9¾
£	G	West Ind. (Br.)	(*Gt. Brit.*)	Pound Sterling *Stg.*	4	86 666	1	0	0
		Antigua, Bermuda, Bahamas, Dominica, Barbadoes, Grenada, St. Kitts, Tobago, St. Lucia, Trinidad, St. Vincent, Jamaica, Turk's Island							

Column 1:—Currency in which Drafts should be drawn.

In the absence of an account with a correspondent in the above countries (or the mother country in the case of a colony) drafts may be issued on the countries named in the following currencies, which are specified in order of preference:

£—pounds sterling on London, England.
$—United States Dollars on New York.
Fcs—Francs on Paris, France.
Mks—Marks (reichsmarks) on Berlin or Hamburg, Germany.
Mex. $—Mexican Dollars (cover usually provided in New York).

Drafts so drawn should bear a phrase to the following effect, (if the paying bank's exchange charge is to be met by the beneficiary):—

Payable at the drawees' buying rate for demand drafts on London (Paris, etc., as the case may be).

If a bank has no correspondent in a country this phrase should be omitted.

Column 2:—Monetary Standard (M.S.), Gold (G), Silver (S).

In certain countries (mostly in Asia and South America) a nominal gold or silver standard exists, but there is no effective system of standard values, and the value of coins is consequently of an uncertain and fluctuating value.

**The names of such countries are printed in italics.*

In several of these countries the monetary system is in a state of transition from a silver to a gold standard.

In South American countries large quantities of paper money (generally worth much less than the face value) are in circulation.

Column 3:—Country.

Gives the names of the principal countries of the world in alphabetical order. If a colony or protectorate of any other country, the latter is given opposite in brackets.

Column 4:—Monetary Units.

Gives the monetary unit of each country and the monetary union (if any) to which it belongs.

TABLE VI.

Sixty-Fourths Expressed as Decimals

		Plus 1/64	Plus 1/32	Plus 3/64
		.015625	**.031**25	**.046**875
1/16	**.0625**	**.078**125	**.093**75	**.109**375
1/8	.125	**.140**625	**.156**25	.171875
3/16	**.1875**	**.203**125	**.218**75	**.234**375
1/4	**.25**	**.265**625	**.281**25	**.296**875
5/16	**.3125**	**.328**125	**.343**75	**.359**375
3/8	**.375**	**.390**625	.40625	**.421**875
7/16	**.4375**	**.453**125	.46875	**.484**375
1/2	**.50**	**.515**625	**.531**25	**.546**875
9/16	**.5625**	**.578**125	**.593**75	**.609**375
5/8	**.625**	**.640**625	**.656**25	**.671**875
11/16	**.6875**	**.703**125	**.718**75	**.734**375
3/4	**.75**	**.765**625	**.781**25	**.796**875
13/16	**.8125**	**.828**125	**.843**75	**.859**375
7/8	**.875**	**.890**625	**.906**25	**.921**875
15/16	**.9375**	**.953**125	**.968**75	**.984**375

The decimal equivalent of eighths and sixteenths should be learned. The last column can be read in three ways, thus .109375 is 7/64 or 1/16 plus 3/64 or 1/8 minus 1/64.

The first three figures of the decimal shown in black face type are sufficiently close for ordinary calculation.

Move the decimal point two places to the left for fractional percentages.

TABLE VII.

Fractional Parts of One Per Cent.

From 1/64 to 1/8 of 1%.

Amount	1/64	1/32	3/64	1/16	5/64	3/32	7/64	1/8
10,000	1.562	3.125	4.687	6.250	7.812	9.537	10.937	12.50
15,000	2.343	4.687	7.031	9.375	11.718	14.062	16.406	18.75
20,000	3.125	6.250	9.375	12.500	15.625	18.750	21.875	25.00
25,000	3.906	7.812	11.718	15.625	19.531	23.437	27.343	31.25
30,000	4.687	9.375	14.062	18.750	23.437	28.125	32.812	37.50
35,000	5.468	10.937	16.406	21.875	27.343	32.812	38.281	43.75
*40,000	6.250	12.500	18.750	25.000	31.250	37.500	43.750	50.00
*44,444	6.944	13.888	20.833	27.777	34.722	41.666	48.611	55.555
45,000	7.031	14.062	21.093	28.125	35.155	42.187	49.218	56.25
*48,666	7.604	15.208	22.812	30.417	37.021	45.625	53.228	60.833
50,000	7.812	15.625	23.437	31.250	39.062	46.875	54.687	62.50
*52,000	8.125	16.25	24.375	32.50	40.625	48.75	56.875	65.
55,000	8.593	17.187	25.781	34.375	42.968	51.562	60.156	68.75
60,000	9.375	18.750	28.125	37.500	46.875	56.250	65.625	75.00
65,000	10.156	20.312	30.468	40.625	50.781	60.937	71.093	81.25
70,000	10.937	21.875	32.812	43.750	54.687	65.625	76.562	87.50
75,000	11.718	23.437	35.156	46.875	58.593	70.312	82.031	93.75
80,000	12.500	25.000	37.500	50.000	62.500	75.000	87.500	100.00
85,000	13.281	26.562	39.843	53.125	66.406	79.687	92.968	106.25
90,000	14.062	28.125	42.186	56.250	70.312	84.375	98.437	112.50
95,000	14.843	29.687	44.531	59.375	74.218	89.062	103.906	118.75
*96,000	15.	30.	45	60.	75.	90.	105.	120.

*Special for florins, sterling, francs, etc.

TABLE VIII.
Cardinal Numbers and Commercial Terms in Ten Languages

	English	French	German	Spanish	Italian	Portuguese	Dutch	Russian	Danish	Swedish
1	One	Un	Ein	Uno	Uno	Hum m. Huma f	Een	Odun	En	En
2	Two	Deux	Zwei	Dos	Due	Doue m. Duas f	Twee	Dba	To	Tva
3	Three	Trois	Drei	Tres	Tre	Tres	Dree	Tza	Tre	Tre
4	Four	Quatre	Vier	Cuatro	Quattro	Quatro	Vier	Tschetire	Fire	Fyra
5	Five	Cinq	Funf	Cinco	Cinque	Cinco	Vyf	Piat	Fem	[illegible]
6	Six	Six	Sechs	Seis	Sei	Seis	Zes	Schest	Sex	Sex
7	Seven	Sept	Sieben	Siete	Sette	Sete	Zeven	Sem	Syv	Sju
8	Eight	Huit	Acht	Ocho	Otto	Outo	Acht	Votem	Otte	Atta
9	Nine	Neuf	Neun	Nueve	Nove	Nove	Negen	Deviat	Ni	Nio
10	Ten	Dix	Zehn	Diez	Dieci	Dez	Tien	Desat	Ti	Tio
11	Eleven	Onze	Elf	Once	Undici	Onze	Elf	Odennatzat	Elleve	Elva
12	Twelve	Douze	Zwolf	Doce	Dodici	Doze	Twaalf	Devenzat	Tolv	Tolf
13	Thirteen	Treize	Dreizehn	Trece	Tredici	Treze	Dertien	Trenatzat	Tretten	Tretton
14	Fourteen	Quatorze	Vierzehn	Catorce	Quattordici	Quatorze	Veertien	Cheternatzat	Fjorten	Fjorton
15	Fifteen	Quinze	Funfzehn	Quince	Quindici	Quinze	Vyftien	Pazanatzat	Femten	Femton
16	Sixteen	Seize	Sechzehn	Diez y seis	Sedici	Dezaseis	Zestien	Schesnatzat	Seksten	Sexton
17	Seventeen	Dix-sept	Siebzehn	Diez y siete	Diciassette	Dezasette	Zeventien	Semnatzat	Sytten	Sjutton
18	Eighteen	Dix-huit	Achtzehn	Diez y ocho	Diciotto	Dezoito	Achtien	Vosemnatzat	Atten	Aderton
19	Nineteen	Dix-neuf	Neunzehn	Diez y neuve	Diciannove	Dezaneve	Negentien	Davetnatzat	Nitten	Nitton
20	Twenty	Vingt	Zwanzig	Veinte	Venti	Vinte	Twintig	Dvatzat	Tyve	Tjugu
21	Twenty-one	Vingt-et-un	Ein und zwanzig	Veinte y uno	Vent uno	Vinte hum	Enen Twintig	Dvatzat odnat	En og Tyve	Tjuguen
30	Thirty	Trente	Dreszig	Treinta	Trenta	Trinta	Dertig	Trudzat	Tredive	Trettio
40	Forty	Quarante	Vierzig	Cuarenta	Quaranta	Quarenta	Veertig	Sorok	Fyrretyve	Fyrtio
50	Fifty	Cinquante	Funfzig	Cincuenta	Cinquanta	Cincoenta	Vyftig	Piatdesat	Halvtredsindstyve	Femtio
60	Sixty	Soixante	Sechzig	Sesenta	Sessanta	Secenta	Zestig	Schestdesat	Tredsindstyve	Sextio
70	Seventy	Soixante-dix	Siebenzig	Setenta	Settanta	Setenta	Zeventig	Semdesat	Halvfjerdsindstyve	Sjuttio
80	Eighty	Quatre-vingt	Achtzig	Ochenta	Ottanta	Oitenta	Tachtig	Vosemdesat	Firsindstyve	Attio
90	Ninety	Quatre-vingt-dix	Neunzig	Noventa	Novanta	Noventa	Negentig	Devianosto	Halvfemsindstyve	Nittio
100	Hundred	Cent	Hundert	Cien	Cento	Cem	Honderd	Sto	Hundrede	Hundra
1000	Thousand	Mille	Tausend	Mil	Mille	Mil	Duizend	Tizatz	Tusinde	Tusen
	Day	Jour	Tag	Dia	Giorno	Dia	Dag	[illegible]	Dage	Dag
	Week	Semaine	Woche	Semana	Settimana	Semana	Week	Nedela	Uger	Vecka
	Month	Mois	Monat	Mes	Mese	Mez	Maanden	Mesatz	Maaned	Manad
	Year	Annee	Jahr	Ano	Anno	Anno	Jaar	God	Aar	Ar
	On demand	A presentation	Nach Sicht, or bei Vorzeigung	A presentacion	A presentazione	A presentacao	Op vertoon	Po bziskam	Paa anfordring	Pa anfordring
	At sight	A vue	A vista	A la vista	A vista	A vista	Op sight, a vista	Po prediavieni	A vista	Vid sigt
	After sight	A jours de vue	Nach Sicht	A dias vista	Dopo vista	A dias vista	Dagen na sigt	Po prediavieni	Efter Sigt	Efter Sigt
	After date	A jours de date	Nach Dato, or nach Heute	A dias fecha	Dopo dato	A dias data	Dagen na dato	Gato	Efter dato	Fran dato
	Pay to the order	Payez à l'ordre	Fur mich, or uns an die Ordre	A la orden	Pagate all'ordine	Paga e a ordem	Voor my aan de order	Nlat it order	Behag at betale til odre	Behagar att betala till ordre
	I promise to pay	Je payerai	Werde ich or werden wir bezahlen	Pagare	Paghero	Pagarei	Ik neem aan te betalen	Ia obetschai	Jeg forpligter mig at betale	Jag forpligtar mig att betala
	With interest	Avec interets	Mit Zinsen	Con interes	Con interesse	Com intereses	Met interest	Is prozentamu	Med rente	Med ränta

TABLE IX.

Moneys in Actual Use

Designation	Where Used	Equivalent	Value
*Abassi	Afghanistan	1/3 of a Rupee	
*Abassi	Persia	1/5 of a Kran	
Alexander	Bulgaria	20 Leva	$3.8589
Alfonsino	Spain	25 Pesetas	4.82375
Anna (s)	India	1/16 of Rupee	0.02028
Att	Siam	1/64 of Tical	
Balboa (s)	Panama	100 Centesimos	1.00
Banu (i)	Roumania	1/100 of Leu	0.00193
Batz (pl. batzen)	Switzerland	10 Centimes	0.0193
*Belion	Morocco	1/20 Rial	0.01989
*Besa (e)	Abyssinia	1/100 Talari	0.00415
*Besa (e)	Eritrea	1/100 Tallero	0.00398
Bit	Danish West Indies	1/100 of Franc	0.00193
Bolivar (es)	Venezuela	100 centimos	0.19295
Boliviano (s)	Bolivia	100 Centavos	0.38932
*British dollar	Used in Orient		0.12898
*Candareen	China	1/100 of Tael	
*Cash	China	1220 Cash = 1 Haikwan Tael	
*Cash	Hongkong	1/1000 of a Dollar	
Cent (s)	Newfoundland	1/100 of a Dollar	0.01014
Cent (s)	United States, Canada, Cuba, Hawaii, Porto Rico, British West Indies, British Guiana, Br. Honduras, Dominican Republic, Liberia	1/100 of Dollar	0.01
*Cent (s)	Hongkong and China	1/100 of Dollar	0.00429
*Cent (s)	China	1/100 of Tael (kuping)	0.00646
*Cent (s)	China	1/100 of Tael (Haikwan)	0.00663
Cent (s)	Straits Settlements and Federated Malay States	1/100 of Dollar	0.00567
Cent (s)	Netherlands	1/100 of Guilder	0.00402
Cent (s)	Ceylon, British East Africa, Zanzibar, Somaliland (Italian)	1/100 of Rupee	0.00324
Centavo (s)	Portugal	1/100 of Escudo	0.01080
Centavo (s)	Nicaragua (new)	1/100 of Cordoba	0.01
Centavo (s)	Philippines	1/100 of Peso	0.00500
Centavo (s)	Mexico	1/100 of Peso	0.00498
Centavo (s)	Peru	1/100 of Sol	0.00487
Centavo (s)	Ecuador	1/100 of Sucre	0.00487
Centavo (s)	Argentina	1/100 of Peso (gold)	0.00965
Centavo (s)	Argentina	1/100 of Peso (paper)	0.00424
*Centavo (s)	Honduras and Salvador	1/100 of Peso	0.00398
Centavo (s)	Bolivia	1/100 of Boliviano	0.00389
**Centavo (s)	Chile	1/100 of Peso (paper)	0.00200
Centavo (s)	Chile	1/100 of Peso (gold)	0.00365
**Centavo (s)	Guatemala	1/100 of Peso (paper)	0.00050
**Centavo (s)	Nicaragua (old)	1/100 of Peso (paper)	0.00060
**Centavo (s)	Paraguay	1/100 of Peso (paper)	0.00070
Centen	Cuba	25 Pesetas	4.82375
Centesimo (s)	Uruguay	1/100 of Peso	0.01034
Centesimo (s)	Panama	1/100 of Balboa	0.01
Centesimo (i)	Italy	1/100 of Lira	0.00193
Centimo (s)	Costa Rica	1/100 of Colon	0.00465

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**Paper basis, values are approximate only.

Moneys in Actual Use—*Continued*

Designation	Where Used	Equivalent	Value
Centimo (s)	Spain	1/100 of Peseta	$0.00193
Centimo (s)	Venezuela	1/100 of Bolivar	0.00193
Centime (s)	France, Belgium, Monaco, and Switzerland	1/100 of Franc	0.00193
**Centime (s)	Haiti	1/100 of Gourde	0.00250
*Centime (s)	Indo-China	1/100 of Piastre	0.00430
Colon (es)	Costa Rica	100 Centimos	0.46536
Condor	Chile	20 Pesos	7.2995
Condor	Colombia	10 Pesos	10.
Condor	Ecuador	10 Sucres	4.86656
Conto	Brazil	1000 Milreis	....
Conto	Portugal	1000 Milreis	....
Cordoba	Nicaragua (new)	100 Centavos	1.00
Coroa	Portugal	10 Milreis	10.8046
Crore	India	100 lacs of rupees	....
Crown	United Kingdom	5 Shillings	1.21666
Crown	see Krona,	Krone, Coroa	
Dime	United States	10 Cents	.10
Dinar (s)	Servia	100 Paras	0.19295
*Dinar (s)	Persia	1/50 of Shahi	0.0007
Dinero	Peru	10 Centavos	.0487
*Dirhem	Morocco	1/10 Hassani Dollar	.0466
*Dollar	Abyssinia	16 Guerches 1 Talari	.46
Dollar	Philippines	100 Centavos	.50
Dollar	Argentina	1 Peso (gold)	.965
*Dollar	China	100 cents (72% of Haikwan Tael)	.47784
Dollar	Haiti	1 Gourde (gold)	.965
Dollar	Uruguay	100 Centesimos	1.03424
Dollar (s)	Newfoundland	100 cents	1.01387
Dollar (s)	United States, Hawaii, Porto Rico, Canada, Cuba, British West Indies, British Guiana, Br. Honduras, Dominican Republic, Liberia	100 cents	1.00
Dollar (s)	Straits Settlements and Federated Malay States	100 cents	0.56776
*Dollar (s)	China, Hongkong, British Labwan	100 cents	0.42898
Doubloon (gold)	Chile	10 Pesos	3.6497
Drachma (i)	Greece	100 Lepta	0.19295
Ducat	Netherlands	5.70 Gulden	2.28267
Ducat	Austria	11.29 Kronen	2.28792
Eagle	United States	10 Dollars	10.
Escudo (gold)	Chile	5 Pesos	1.8248
Escudo (s)	Portugal	100 Centavos	1.08056
Farthing	United Kingdom	¼ of a penny	.00505
..Filler	Hungary	1/100 of Korona	0.00203
..Florin	Austria Hungary	2 Kronen	.4052
..Florin	United Kingdom	2 Shillings	.4866
..Florin (s)	Netherlands	100 cents	0.40196
..Franc (s)	France, Belgium, Monaco, and Switzerland	100 Centimes	0.19295
**Gourde	Haiti	100 Centimes	0.25000
Gourde (gold)	Haiti	100 Centimes	.965
*Guerche	Abyssinia	1/16 of a talari	.....
Guilder	Austria Hungary	1 Florin	.4052

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Moneys in Actual Use—*Continued*

Designation	Where Used	Equivalent	Value
Guilden (Iden)	Netherlands	100 Cents	$0 40196
Haikwan tael	China	$1\frac{1}{3}$ oz. avoir. of silver	66367
*Hassani dollar	Morocco	1 rial	.4663
Half Crown	United Kingdom	2 shillings and sixpence	60833
Heller	Austria	1/100 of Krone	0 00203
Heller	German East Africa	1/100 of Rupee	0 00317
Imperial Kruetzer	Russia	15 Roubles	7 71839
Kopeck (s)	Russia	1/100 of Rouble	0 00515
Korona	Hungary	100 Filler	0 20263
*Kran (s)	Persia	20 Shahis	0 07328
Krona (or)	Sweden	100 Ore	0 26799
Krone (er)	Denmark and Norway	100 Ore	0 26799
Krone (n)	Austria	100 Heller	0 20263
Krone (n)	Germany	10 Marks	2.38209
Lac or Lakh	India	100,000 Rupees	....
Lepton (pta)	Greece	1/100 of Drachma	0 00193
Leu (i)	Roumania	100 Bani	0 19295
Lev (a)	Bulgaria	100 Stotinki	0 19295
Libra (s)	Peru	10 Soles	4.86656
Lira	Egypt	1 Egyptian Pound	4 94307
Lira (e)	Italy	100 Centesimi	0.19295
Lira	Turkey	1 Turkish Pound	4.39642
Louis	France	20 Francs	3.859
Levant dollar	Austria	Maria Theresa Thaler	41362
*Mace	China	1/10 Tael	.065
*Maria Theresa Thaler	Northeast Coast Africa	100 Cents	0 41362
Mark	Germany	100 Pfennige	0 23821
Markka (a)	Finland	100 Pennia	0.19295
Medjidie (silver)	Turkey	20 Piastres	.86928
Medjidie (gold)	Turkey	100 Piastres	4.39642
Menelik dollar	Abyssinia	Maria Theresa Thaler	....
Mill	United States	1/10 of a cent	.001
Millieme	Egypt	1/10 Piastre	0 00494
Milreis	Brazil	1000 Reis (gold)	0 54615
Milreis	Brazil	1000 Reis (paper)	0 32444
Milreis	Portugal (old)	1000 Reis	1.08046
Mocha dollar	Arabia	Piastre	405
Napoleon	France	20 Frances	3.859
Ochr-el-guerche	Egypt	1/10 Piaster	....
Ore	Denmark, Sweden and Norway	1/100 of Krone (a)	0 00268
Para (s)	Servia	1/100 of Dinar	0.00193
Para (s)	Montenegro	1/100 of Perper	0.00203
Para (s)	Egypt	¼ of Millieme	0 00123
Para (s)	Turkey	1/40 of Piastre	0 00109
Penni (a)	Finland	1/100 of Markka	0.00193
Penny (ies)	United Kingdom, Australia, New Zealand, and majority of British Colonies	1/12 of Shilling	0.02028
Perper (a)	Montenegro	100 Paras	0 20263
Peseta (s)	Spain	100 Centimos	0 19295
Peso (s)	Argentina (gold)	100 Centavos	0 96475
Peso (s)	Argentina (paper	100 Centavos	0 42449
Peso (s)	Uruguay	100 Centesimos	1 03424
**Peso (s)	Chile	100 Centavos (paper)	0 20
Peso (s)	Chile	100 Centavos (gold)	0 365

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Moneys in Actual Use—*Continued*

Designation	Where Used	Equivalent	Value
**Peso (s)	Colombia	100 Centavos (paper)	$0.01
**Peso (s)	Guatemala	100 Centavos (paper)	0.05
**Peso (s)	Nicaragua (old)	100 Centavos (paper)	0.06
**Peso (s)	Paraguay	100 Centavos (paper)	0.07
*Peso (s)	Honduras and Salvador	100 Centavos	0.39786
Peso (s)	Mexico	100 Centavos	0.49846
Peso (s)	Philippines	100 Centavos	0.50
Peso (s)	Panama (old) Half-Balboa	100 Centavos	0.50
Peso (Spanish gold)	Cuba	100 Centavos	0.96475
Pfennig (e)	Germany	1/100 of Mark	0.00238
Piastre (s)	Egypt	1/100 of Eg. Pound	0.04943
Piastre (s)	Turkey	1/100 of T. Pound	0.04396
*Piastre (s)	Indo-China	100 Centimes	0.42968
Pice (s)	India	1/4 Anna	0.00507
Pie (s)	India	1/3 Pice or 1/12 Anna	0.00169
Pound (Sterling)	United Kingdom, Australia, New Zealand, and other British Colonies	20 Shillings	4.86656
Pound (Egyptian)	Egypt	100 Piastres	4.94307
Pound (Turkish)	Turkey	100 Piastres	4.39642
Pound Peruvian	Peru	100 Centavos	4.86656
Reichsmark		100 Pfennige	.23821
Real (Reis)	Portugal	1/1000 of Milreis	0.00108
Real (Reis)	Brazil	1/1000 of Milreis (gold)	0.00054
Real (Reis)	Brazil	1/1000 of Milreis (paper)	0.00032
*Rial	Morocco	20 Belions	0.39786
Rin	Japan	1/10 of Sen	0.00049
Rouble	Russia	100 Kopecks	0.51456
Rupee	Afghanistan	12 Shahis—72 pice	.16216
Rupee (s)	Ceylon, British East Africa, Zanzibar, Italian Somaliland	100 Cents	0.32444
Rupee (s)	India	16 Annas	0.32444
Rupee (s)	German East Africa	100 Heller	0.31761
Satang (s)	Siam	1/100 Tical	0.00371
Sen	Japan	1/100 Yen	0.00498
*Shahi (s)	Persia	1/20 Kran	0.00366
Shilling (s)	United Kingdom, etc.	1/20 of Pound	0.24333
Sol (es)	Peru	1/10 of Libra	0.48666
Soldo (i)	Italy	5 Centesimo	.00964
Sou	France	5 Centimes	.00964
Sovereign	United Kingdom	20 Shillings	4.86656
Stiver	Netherlands	5 Cents	0.02009
Stotinka (i)	Bulgaria	1/100 of Lev	0.00193
Sucre (s)	Ecuador	100 Centavos	0.48666
*Tael Haikwan	China	1⅓ oz. avoir. of silver	.66367
*Tael (Kuping)	China	100 Cents	0.64659
*Tael (Haikwan)	China	100 Cents	0.66367
*Talari	Abyssinia	100 Bese	0.41452
*Tallero (i)	Eritrea	100 Bese	0.39786
*Thaler (Maria Ther)	Northeast Coast of Africa	100 Cents	0.41362
Tical	Siam	100 Satang	0.37085
Venezolano	Venezuela	5 Bolivars	.965
Yen	Japan	100 Sen	0.49846
*Yuan	China (Chinese dollar)	100 Cents	0.42878

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TABLE X.

Symbols or Arbitrary Signs Useful in Business

@	(1) at, as 20 lbs. @ \$1.
	(2) to, as \$4.85 @ 4.85½,
o/oo	per mille,
%	per cent,
c/o	care of,
¶	paragraph, per,
#	number,
=	equal to,
>	is greater than,
<	is less than,
: :	is equal to (used only between ratios),
:	to; e.g., a:b : : c:d (the ratio of a to b equals the ratio of c to d),
+	plus, added to, } When placed at the end of a decimal indicates that it is only approximately correct.
−	minus, less,
×	multiplied by,
÷	divided by,
∴	therefore,
. . . .	and so on,
$\sqrt{\ }$	square root of,
$\sqrt[3]{\ }$	cube root of,
∵	because,
\$ \$	dollars,
¢	cents,
/\	shows where something has been omitted and afterwards interlined,
"	ditto, the same,
✓	check mark,
✓✗	double check mark.

TABLE XI.

Money Symbols

$	dollar, milreis,* peso.
$c/l	paper peso in Argentina, c/l meaning curso legal (legal tender).
$M/C	paper peso in Chile, m/c meaning moneda corriente (current money).
$m/n	paper peso in Argentina, m/n meaning moneda nacional (national money).
$oro	gold peso in Chile.
$o/s	gold peso in Argentina, o/s meaning oro sellado (coined gold)
S$ or SS$	dollar in Straits Settlements.
£	pound sterling in the British Empire.
£E or LE	pound in Egypt.
LP or Lp	pound in Peru.
£T or LT	pound in Turkey.
/	shillings in the British Empire, 10/6= 10 shillings and 6 pence.
B.	balboa in Panama. boliviano in Bolivia.
B. or Bol.	bolivar in Venezuela.
c.	cent in the United States and Canada.
c.	centavo. centime.
D.	dinar in Servia.
d.	pence in the British Empire.
Dr.	drachman in Greece.
f. or fl.	florin.
fr.	franc.
K.	krans in Persia.
Kr.	krona or krone in Austria, Hungary, Denmark, Norway and Sweden.
L.	lira.
M. or Mk.	mark.
P.	peso.
Pi. or pias	piaster.
Ptas.	pesetas in Spain.
R. or Ro.	ruble.
R., Re. or Rs.	rupee or rupees in India.
Rs.	reis in Brazil or Portugal.
s. or sh.	shillings in the British Empire.
S.	sucre in Ecuador.
Tls.	taels in China.

*In expressing sums in milreis the $ is used practically as a period, thus 10 milreis an 225 reis is written 100$225.

GLOSSARY OF FINANCIAL TERMS

A

a/c	account,
A/C	account current,
acct	account,
a.d.	after date,
agt	agent,
amt	amount,
Apr	April,
A/s	account sale,
A/S	agreement of sale,
atty	attorney,
Aug	August,
@	for, at or to.

Abbreviations.—The abbreviations generally used in exchange and commercial operations will be found at the head of each alphabetical division in this glossary.

Abrasion.—The loss of weight which coins undergo in passing from hand to hand or from being brought into contact with each other. In the case of transatlantic shipments of gold coin, the loss by abrasion is serious, amounting to 25 or 30 cents per $1,000. For this reason, gold bars are preferred for shipment as the loss is negligible. (See Mint Remedy.)

Abstract of Title.—An outline of evidence of the ownership of anything. A document containing a sufficient summary of the title deeds, etc., which show the nature of a person's rights to a certain property, together with any charges or circumstances in any wise affecting it. A purchaser or mortgagee can readily deduce a title to the property under consideration. The first deed referred to on the abstract is known as the **Root of Title.**

Acceptance.—(1) The act by which a person engages to pay a bill of exchange drawn upon him. (2) The bill after it has been accepted. (See Sections 35-39 Bills of Exchange Act.)

Acceptance for Honour.—The acceptance by a person, not otherwise liable, of a bill which has been refused by the drawee. The purpose of such an acceptance is to save the honour or credit of a party liable thereon, who is expected to protect or reimburse the acceptor for honour. (See In Case of Need.) (Section 147-155 Bills of Exchange Act.)

Accepted Cheque.—(See Certified Cheque.)

Acceptilation.—The acquittance of a debt by a creditor without receiving payment.

Acceptor.—The person, who accepts a bill of exchange drawn upon him. Until the bill is accepted he is referred to as the drawee. There is no liability attached to the drawee until he has signed the bill and become the acceptor.

Accommodation Bill.—A bill of this kind is one to which a person has put his name either as drawer, acceptor or endorser without receiving any benefit from the paper. An accommodation bill or note is discharged when it is paid by the person who is the debtor in fact, though not in form. (Section 55, B.E.A.)

Accommodation Endorser.—One who endorses a negotiable instrument without consideration, in order that another may raise money on it.

Account.—A statement of one or more items relating to the same person or thing, recorded under an appropriate heading.

Account Current.—A detailed statement showing the condition of a current or running account at a certain date.

Account Payee.—These words are sometimes written across the face of an English cheque and signify that the amount is to be credited to the account of the payee. The words have no legal effect and the negotiability of a cheque is in no way limited by them.

Account Sales.—A statement in detail by a commission merchant to his client showing sales made by him as consignee for his client, expenses and other charges against same, and net proceeds.

Account Stated.—An account showing a balance, which has been agreed upon between the parties thereto.

Accrued.—Accumulated; as rent or interest earned but unpaid and not necessarily due for payment. Thus, if rent is $50.00 per month, $25.00 would be accrued at the middle of month.

Act of God.—A term used in bills of lading and charter parties, which signifies some unforeseen accident produced by a physical cause which is irresistible. No person is legally liable for any loss arising through an Act of God.

Actual Rates. The exact rates at which foreign exchange is sold in large amounts between bankers and brokers. (See Posted Rates.)

Administrator. One who is appointed by the court to take charge of the property or estate of a person, who died without making a will. (See Executor.)

Ad Referendum.—This is a Latin phrase signifying "to be further considered." In the case of contracts in connection with which this term is used it would indicate that while the substance in general has been agreed upon, there are some details which require further consideration.

Ad Valorem.—A Latin phrase signifying according to value. Ad valorem duty is a percentage on the value of the goods and not on their weight or quantity. The British stamp tax on bills and notes is ad valorem; namely, 1/- per £100.

Advice.—An advice is generally sent from one banker to another, giving the latter the particulars of drafts drawn or letters of credit issued on him. This document prevents mistakes and detects forgeries, for when bills are presented for acceptance or payment, they may be refused for want of the advice.

Affidavit.—A declaration in writing and made under oath.

After Date.—A phrase used in notes and drafts signifying after the date of the bill or note.

After Sight.—A phrase used on bills of exchange, meaning after having been presented to the drawee for acceptance. The acceptor must insert the date of his acceptance upon an "after sight" bill, so as to establish the date of its maturity. (See At Sight.)

Agenda.—A list of the business to be transacted or discussed at a certain meeting.

Agent.—One employed by another to act for him. (See Attorney.)

Agio.—The premium or difference between the value of the metallic and of the paper currency in a country or between the metallic moneys of different countries (from the Italian *aggio*, exchange).

Alienate.—To convey the title to property.

Allocate.—To allot or assign a thing to a person. Generally used in reference to the allotment of shares in a company.

Allonge.—A piece of paper attached to a bill of exchange to receive endorsements for which the original does not afford space. As a matter of precaution the first endorsement on the allonge should commence on the bill itself, and end on the allonge (from the French *allonger*, to lengthen).

Allowance.—A deduction, an abatement. Thus, an allowance may be deducted from the weight of goods to cover packages, etc. or from the gross value to cover the value of overcharges or inferior goods.

Alloy.—Gold and silver coins are an alloy of gold and copper and of silver and copper respectively, the baser metal being necessary to harden the coins, thus reducing the abrasion to a minimum. English gold is 11/12 pure gold and 1/12 copper. Canadian and United States gold is 9/10 pure gold and 1/10 copper. In a general sense, alloy means any inferior metal mixed with one of greater value.

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Alteration.—A change in the words or figures of a written instrument after it has been executed and delivered. A **material alteration** is one that affects the validity of a note or document and renders it inoperative. (Sections 145, 146, B.E.A.).

Amortize.—To extinguish a loan by means of a sinking fund (amortization).

Ancillary.—Subordinate; for instance, an ancillary receiver is an assistant receiver.

Annuity.—A sum paid annually for a certain number of years or in perpetuity. **Perpetual** annuities are those which are paid

periodically for an indefinite number of years. Annuities **For Fixed Terms** are those payable for a stated number of years. **Life** annuities are those which are payable during the life time of the annuitant. **Deferred** annuities are annuities payable from a stated *future* date until death of annuitant, the purchase money being paid either in a lump sum or in periodical instalments until the commencement of the annuity.

Antedate.—To date a cheque or other document earlier than the day on which the cheque or document was written. Thus, a letter or cheque written on August 1, but dated July 31, would be antedated.

Appraise.—To estimate the value of property or goods. The act is called an **appraisal** and the value arrived at is known as the **appraised value.** Thus, if about to purchase a business concern whose assets included fixed property, an appraisal would be made of same as well as of the stock in trade.

Appreciation.—Increase in value. The term is usually employed to indicate an increase of a more or less spontaneous nature in the value of an asset, as in stocks and bonds. (See Depreciation.)

Appropriation of Payments.—When a payment is made to a creditor the debtor must signify his intention as to its application before or at the time of payment, otherwise the creditor may apply it as he likes, even toward the settlement of a prescribed debt.

Appurtenances.—Things or rights which appertain or belong to a property and which pass along with the property when it is sold or leased; such as, rights of way, buildings, fences, etc.

Arbitration.—The act of settling a dispute by submitting it to one or more neutral persons, named by the parties to the dispute, whose decision, which must be in writing and signed, is called the **Award.**

Arbitration of Exchange. Sometimes called **arbitrage** (especially when applied to operations in stocks and bonds) is a calculation based on the rates of exchange at three or more places, to determine the difference in money values, or a calculation based on the money values to determine the rates of exchange between different places. When three places are involved, the calculation is called **simple arbitration,** when more than

three places, **compound arbitration.** The operation calls for expert knowledge, and is confined principally to the large money centres. (See Indirect Exchange.)

Articles.—Separate parts of a written agreement. The different terms in a partnership agreement are the **articles of partnership;** the clauses regulating the conduct of a company, as agreed upon at its formation, are known as **articles of association,** etc. The word "articles" also refers to things of a tangible nature, such as different articles for sale, etc.

As Per Advice.—A phrase sometimes found in bills of exchange signifying that notice of the draft has already been sent.

Assets.—Those things of value that are possessed by a person or business. **Fixed Assets** would include property; such as, land, buildings, plant and machinery, etc., by means of which a business is carried on, while **Liquid, Floating** or **Current Assets** are those used in business transactions; such as, cash, stock in trade, accounts and bills receivable, all of which are quickly realizable. **Goodwill** is an intangible asset that cannot be transferred apart from the business with which it is connected and the value of which can be taken credit for only when actually transferred. It should never appear in the accounts at a value higher than that paid for it. Then, while it is a capital or fixed asset, it belongs in reality to a class by itself.

Asset Currency.—A bank note issue secured by the general assets of a bank. The special advantage of asset currency is its elasticity, a most valuable feature. The note circulation of the Canadian banks has established the merits of this form of currency.

Assignee.—(1) The person to whom a failing debtor transfers all of his remaining property for the purpose of having it distributed among his creditors. (2) One to whom anything is assigned.

Assignment.—The transfer of property to a person known as the **Assignee** usually for the benefit of the creditors of the person making the transfer, who is known as the **Assignor.** To transfer property as above is to **Assign.** We also transfer mortgage rights and rights under other instruments under seal by assignment which is in the form of a special document.

Assume. To take over the liability of another. If, for instance, A owes an account which he cannot pay and B agrees in writing to pay it, B assumes the liability of A under the account.

At or Better.—It is a common practice to give an order to buy stock at, say, "90 or better," meaning a lower figure or to sell stock at, say, "90 or better," meaning a higher figure.

At Sight.—On sterling or foreign bills of exchange it signifies that they are payable on demand, as no days of grace are allowed on sight bills. In Canada and some of the United States, bills drawn at sight are allowed three days' of grace. (See After Sight.)

Attachment.—A claim on property by virtue of legal execution such as seizure under legal warrant.

At the Market.—Buying or selling (as stocks) at current prices instead of at specified prices.

Attestation.—Act of witnessing a document in writing and subscribing one's name to it as a witness.

Attorney.—A **Private Attorney** or **Attorney in Fact** is a person empowered by another to act in his stead, especially a person who is legally appointed and authorized to transact business for another. The authority of an attorney should be strictly defined by the deed appointing him. (See Power of Attorney.)

Audit.—An examination of the accounts of any concern by a chartered accountant or other qualified person who examines the balance sheet or statement and verifies the same by reference to vouchers, etc. An Audit may be

1. Detailed—the comparison of the vouchers with the sums debited as paid.
2. Administrative—the comparison of the sums debited with the authorities to pay.

Autumnal Drain.—An expression used in England in reference to the withdrawal of gold from the Bank of England in the autumn or fall, principally for the currency requirements of the harvest. Canadian banks meet a similar demand with their own notes without disturbing the money market.

Average. (1) An expression used in marine insurance signifying damage or loss at sea. In a secondary sense it means a proportionate distribution of the loss between the underwriters and ship owners. (See Particular Average.)
(2) The mean proportion of unequal quantities or numbers obtained by dividing their total or aggregate by the number of quantities.

B

bal.................... balance,
B. B.................... bill book,
bbl.................... barrel,
bdls.................... bundles,
b. e.................... bill of exchange,
bgs.................... bags,
B L.................... bill of lading,
B.P.................... bills payable,
B.R.................... bills receivable,
bls.................... bales,
bot.................... bought,
bro't.................... brought,
b.s.................... bill of sale,
bxes.................... boxes.

Backwardation. —A London Stock Exchange term to denote the premium or interest paid by sellers for delay in the delivery of stock. (See Contango.)

Bailee. One to whom the goods of another are delivered for a certain purpose.

Bailment. The delivery of a thing in trust for some special object or purpose under a contract from the bailee to the bailor, expressed or implied, to conform with the object or purpose of the trust and to return the goods, when the terms thereof have been complied with.

Bailor. One who delivers goods to another under contract of bailment.

Balance. —The difference in amount between the two sides of an account. To balance an account is to close it.

Balance of Trade. The difference between the money value of the exports of a country and of its imports. A balance of trade may be between two countries or between a country and all other countries. The balance of trade is said to be favorable or unfavorable to a country according as its exports or its imports are in excess. This is a survival of the old notion that the more a country exports in proportion to its imports, the greater its prosperity. This idea is now obsolete, as the figures refer only to the "Visible foreign trade," omitting entirely a most important factor, the "Invisible foreign trade" consisting of the import and export of debts which are created in various ways, among the more important being:

1. Transactions in stocks and bonds.
2. Gold Movements.
3. Payments of interest and dividend.
4. Payments for freight and insurance.
5. Tourists' disbursements.
6. Banking transactions.

All these naturally affect and may even neutralize the balance created by the import or export of goods. The use of the expression **"Balance of Payments"** is preferable, as it covers the net results of both the visible and invisible foreign trade.

Balance Sheet. A statement showing in condensed form the resources and liabilities of a business, thus indicating its financial position.

Ballast.—Heavy matter placed in the hold of a ship when it has no cargo to keep it steady, or when the cargo is of light material.

Bank Balance.—The amount on deposit at the bank.

Bank Book.—The passbook of the depositor in which is recorded the deposits and withdrawals and periodically (generally monthly), when balanced off, the balance on deposit, if any, after meeting cheques and other claims that have been presented. The balance so shown will differ from the bank balance as indicated in the cash book of the business by the amount of cheques issued, but not yet presented to the bank for payment. The passbook is gradually being superseded by a statement rendered monthly or oftener by the bank.

Banking Hours.—In Canada, generally from 10 a.m. to 3 p.m. (1 p.m. on Saturday), the time during which the banks are open to transact business with the public in contradistinction to the office hours of a bank 9 a.m. to 6 p.m.

Bank of England Rate.—The minimum rate at which the Bank of England will discount prime three months' bills or advance money against approved securities. The rate has a direct relation to foreign exchange rates and the movement of gold. The raising of the rate raises the value of money and attracts gold from foreign centres, and the lowering of the rate tends to lower the value of money. The Bank frequently insures the effectiveness of the rate by borrowing money itself in the open market, thus denuding it of supplies. The Bank is governed in its action by the relation which its reserve of gold and silver coin bears to its deposits; this proportion is seldom allowed to fall below 30%, while it sometimes rises above 50%, the average being about 43%. In the statement below, it is 49⅛%. (See Bank Rate.)

Bank of England Return.—The Return is divided into two parts Issue and Banking Departments. It appears every Thursday afternoon, and shows the condition of the bank at the close of business on Wednesday.

RETURN FOR THE WEEK ENDING 11TH MARCH, 1914:

ISSUE DEPARTMENT

LIABILITIES		EXPLANATION
1. Notes issued....	£58,621,125	means the amount of notes circulating in the country, or held in the reserves of different banks, including those in the Banking Department below.
	£58,621,125	
ASSETS		
2. Government Debt	£11,015,100	represents the amount due by the Government to the Bank of England. It was originally £1,200,000, the first capital of the bank when it was established in 1694. It has stood at its present total, £11,015,100 since 1816.
3. Other securities...	£ 7,434,900	These are interest bearing investments selected by the directors.
Authorized issue..	£18,450,000	
4. Gold coin and bullion............	£40,171,125	represents gold held as security for the notes issued in excess of the authorized issue of £18,450,000 secured by 2 and 3.
	£58,621,125	

BANKING DEPARTMENT

LIABILITIES		EXPLANATION
5. Proprietors' capital	£14,553,000	Capital stock of the bank, unchanged since 1816.
6. Rest............	£ 3,685,192	The accumulated profits, always kept at a total exceeding £3,000,000, the excess being available for dividends.
7. Public Deposits..	£24,943,039	Government deposits from revenues, etc., including Exchequer, Savings Banks, National Debt, etc.
8. Other Deposits...	£39,922,243	Includes all other official accounts, bank and individual deposits.
9. Seven day and other bills......	£ 19,545	Bank post bills, (q.v.).
	£83,123,019	
ASSETS		
10. Government Securities......	£11,152,689	Consols, exchequer bills, treasury bonds and other Government obligations. The taxes are a pledge for their redemption.
11. Other Securities.	£40,115,781	Bills of exchange, advances to customers and to the market in general.
12. Notes*.........	£30,3[illegible],590	Bank of England notes which are obtained from the Issue Department in exchange for coin and bullion.
13. Gold and silver coin...........	£ 1,470,959	Till money.
	£83,123,019	

*These notes represent actual gold held in the Issue Department.

The Bank of England reserve is the amount of notes and metal in the Banking Department (12 and 13) £31,854,549.

In this return the proportion of the reserve, £31,854,549, to the deposits, £64,365,282, is 49⅛%.

The directors, after a consideration of the return at their weekly meeting each Thursday, decide whether any change should be made in the rate, and their decision is of international interest.

Bank Post Bills.—Bills of Exchange, issued free of commission by the Bank of England, payable at any branch for sums between £10 and £1,000. Such bills are payable seven or more days after sight, and are not subject to days of grace. The bank's profit is derived from the use of the money for the seven days.

Bank Rate.—In London the Bank rate is the discount rate of the Bank of England, whereas the open market rate is the rate of the other banks and dealers in commercial paper. In Paris the bank rate is the rate of the bank of France; in Berlin, that of the Imperial Bank; and so on. In New York the bank rate is the uniform rate of the banks as distinguished from the varying rates of the other lenders.

Bankrupt.—One who is unable to pay his debts, having failed in business.

Bank Stock.—Shares in the capital stock of an incorporated joint stock banking institution. In Canada such institutions are known as chartered banks.

Barter.—To trade by exchange of goods as distinguished from trading by the use of money.

Bear and Bull.—A Bear is an operator in stocks who is "short" of stock, and wishes to buy at a lower rate, to do which, he endeavors to depress the price of the stock of which he is "short." Against this we have operators who are holding stocks for advance, having stock to sell, it being said that they are "long" of stock. These holders endeavor to advance the price of the stock of which they are "long," and the term applied to them is Bulls.

Below Par.—When the price of stocks or shares is below their nominal value, they are said to be at a discount or below par.

Between Banks.—This term is applied to foreign or domestic exchange transactions between banks, the rates quoted being for large amounts only and are known as "actual rates" in distinction to "posted" or counter rates.

Bill Book.—A book containing a record and particulars of drafts and notes received by a concern from others (bills receivable) and drafts or notes given to others (bills payable).

Bill Broker.—An English term, a person who is engaged as an intermediary in the purchase and sale of bills of exchange and promissory notes. It is his business to know the state of the exchange and discount markets and their probable course. A dealer in foreign bills is generally called an exchange broker.

Billhead.—A form, with printed heading, on which bills or accounts are rendered.

Bill of Exchange or Draft.—An unconditional order in writing, addressed by one person, the drawer, to another, the drawee, signed by the drawer and requiring the drawee to pay on demand (or at a fixed or determinable future date) a sum certain in money to (or to the order of) a specified person, or to bearer. This is the universally recognized definition of a bill of exchange. The wholesale transactions of the world are effected by bills of exchange and they constitute the most important circulating medium of both national and international finance. There is practically no difference between a bill of exchange and a draft, but the former term is commonly applied to an order for payment in a foreign country, while the latter refers to inland bills. (Sections 17 and 25, B.E.A.)

If a foreign bill of exchange is drawn for the value of goods exported and a bill of lading, letter of hypothecation, insurance certificates (q.v.), etc., are attached, it is known as a **Documentary Bill of Exchange** and instructions are attached to surrender the documents on payment (D/P) or on acceptance (D/A). If no documents are attached, it is known as a **Clean Bill of Exchange.** Bills of exchange and the accompanying documents if any, are usually drawn in duplicate, the originals being forwarded on the first outgoing steamer and the duplicates by the next.

Sometimes the second of exchange is retained until a satisfactory sale can be made, in which case the maturity of the bill is based on the date that the first of exchange was accepted in London as determined by the arrival of the mail boat. The second of exchange bears the name and address of the holder of the accepted bill and before payment the two are attached, thus becoming one bill. A bill of exchange may be taken up any number of times before it is due, and may be put into circulation between each payment, but once it is paid by the accepter on its becoming due, it cannot again be put into circulation.

Bill of Lading.—An acknowledgment of the receipt of goods for transportation issued by a railroad, steamship company or other carrier.

A **Railroad Bill of Lading** is usually signed by the station or freight agent for the railroad company. It is issued in triplicate:

1. Original
2. Shipping Order
3. Memorandum

The original of the **Order Bill of Lading** is printed on yellow paper and is the form that should be attached to drafts as it only is negotiable.

The other two parts are printed on blue paper.

All three parts of the *non-negotiable bill* of lading are printed on white paper, which like the blue forms of the "Order" bill of lading are of no value except to prove delivery to the railway company.

A **Marine Bill of Lading** is usually signed by the master of the ship as agent of the owners and specifies the name of the shipper, the amount, the destination of the ship, the goods, the name of the consignee, the rate of freight and the number of bills of lading in the set. As it is issued in sets of two or three, it is important, in purchasing a documentary bill of exchange, to see that the whole of the set issued is attached and uniform.

Bill of Sale.—A transfer, in writing, of the ownership of personal property (such as, livestock, household furniture, stock in trade, etc.), given by the seller to the buyer. The bill of sale is resorted to particularly when the property, although sold, is

not moved from the possession of the seller immediately, and thus, when the bill of sale is registered, the owner's (purchaser's) title is protected should the former owner attempt to sell again or should his property be taken over by creditors. The seller is also protected from fraud on the part of the buyer.

The bill of sale differs from a chattel mortgage in that the sale is outright and a return is not contemplated. (See Chattel Mortgage.)

Bills Payable.—Drafts or notes that a concern is liable to pay.

Bills Receivable.—Drafts or notes the payment of which a concern expects to receive from others.

Bimetallic Standard.—The bimetallic or double standard exists when the basis of values is gold and silver, at rates established by law. This must not be confused with bimetallism, as an essential feature of the latter is a mint open to the coinage of any quantity of either gold or silver, that may be brought to it for coinage. In reality, gold is the real measure of value in countries with a double standard, and is admitted to coinage without restriction, while silver is coined in limited quantities only.

Bimetallism.—The unlimited coinage (at an established ratio) of both gold and silver coins of full debt paying power enabling a debtor to discharge his liabilities in either of the metals at the ratio fixed by law. Naturally he would invariably choose the cheaper.

Blank Endorsement.—An endorsement without the addition of the name of the person to whom a bill of exchange or other document is transferred, the name of the payee alone being written. By such endorsement the ownership is transferred to any one who may be in possession of the paper. It is the opposite of a special endorsement where the name of the transferee is given. (Section 67 B.E.A.)

Bona Fide.—With good faith; i.e., without fraud or unfair dealing. A bona fide holder of a security generally means one who has no notice of any defect attached to it.

Bonds.—A **Bond** is a promise to pay issued by a corporation, the payments to be made according to the terms of the bond. There

is usually a distinction made between a **Debenture** and a bond, although, strictly speaking, a debenture may be termed a bond.

The term debenture is usually confined to those promises to pay issued by municipal corporations, the payment of which is a charge against revenue from taxation, and in connection with it no regular form of mortgage is drawn up and registered against the assets of the corporation, which are the ultimate security for the loan, the security given being the tax power of the municipality.

The term bond, on the other hand, is generally taken to mean a promise to pay, such as is issued by industrial corporations, etc., and in security for which a mortgage is drawn up and deposited with a trustee, pledging definite assets (except in the case of **Income Bonds**) of the corporation as security for the payment of the loan. The payment of Interest on Income Bonds depends on the income being sufficient to pay it. Sometimes it is cumulative. There will not be foreclosure because of failure to pay interest on Income Bonds.

A **Registered Bond** is one valuable only to the one to whom it is issued, his name being placed in the register of the corporation as the owner of the bond. The name is also written or endorsed on the bond.

A **Coupon Bond** is one which has attached to it coupons, or certificates, for the amount due at the various dates of payment of interest or principal or both, and which are torn off and handed in for collection during the period of the bond. These are negotiable bonds; that is, they may be transferred to bearer or by endorsement, without any notification whatever being given the corporation. It is frequently arranged that Coupon Bonds may be registered.

Debentures and Bonds may also be classified as redeemable or terminable, and irredeemable or perpetual. The former are those which provide for the repayment of principal sums, while the latter are repayable only on default of payment of interest, or on the winding-up of the corporation. While Debentures or Bonds may be issued at par, at a premium or at a discount, it must be borne in mind that they are redeemable at par at maturity. Bonds secured by a mortgage are frequently termed **Mortgage Bonds.** First Mortgage Bonds are those secured by first mortgage on the assets; Second Mortgage Bonds, those secured by second mortgage; etc. etc.

Bonus.—(1) A sum of money paid to a party over and above that to which he is entitled by his contract.

(2) A sum of money or other consideration voted by a municipal council to a manufacturer, etc., on condition that the latter executes a contract of benefit to the locality; for instance, a bonus to a factory or to a railway.

(3) Common Stock given as a bonus with preferred stock or bonds—This is frequently met with in connection with flotations of stock or bonds of large industrial corporations, and the question of how this common stock can be given away causes more or less trouble at first sight to students in accounts. Such stock must first have been issued fully paid up in return for property of some description, perhaps goodwill or services; for instance, if a number of concerns are being combined into one, the person bringing about the amalgamation may purchase the various subsidiary concerns at definite figures. In turning them over to the new company, he will base his value on various conditions and circumstances, and will receive, in all probability, an amount considerably in advance of that which he has promised to give. The payment of this amount will consist largely of common stock. He will thus have a considerable quantity of common stock on hand as his own property. If he is given the preferred stock or bonds to sell for the company, he will probably receive a certain rate or amount for his services. This may be payable in cash or common stock, or both. Such common stock given to him in return for services rendered may, of course, be issued fully paid up. In offering the preferred stock or bonds, he may then give a part of that which is his own property as a bonus to make the issue more attractive to prospective purchasers. The above, while setting out only the principle, will be sufficient to indicate that stock is not *given by the company* itself as a bonus, but that it has been issued fully paid up, and is given by the owner thereof. In such cases the entry will already have been made for the issue of the common stock, and when it is given as a bonus, the only book entry will be a transfer in the share ledger from the previous holder to the new holder.

Bottomry Bond.—A contract whereby the bottom or whole of a ship is hypothecated to repay a loan, with interest, on the completion of an intended voyage, but which becomes void if the ship is lost. As the risk is great, the interest in these transactions is correspondingly high. (See Respondentia Bond.)

Bought and Sold Note.—A written memorandum of sale delivered by a broker effecting a sale, to the buyer.

Bounty.—A grant or allowance from a government or state for the encouragement of a trade or industry; for instance, the Sugar Bounty.

Bourse.—A stock exchange.

Breakage.—An allowance made on goods imported in breakable containers, such as bottles.

Broker.—An agent, who acts as middleman between buyer and seller. Usually the work of a broker is confined to a particular line; hence we have Stock Brokers, Bill Brokers, Customs Brokers, Real Estate Brokers, etc.

Brokerage.—The charges made by a broker for his services, usually a percentage; as, commission.

Bullion.—Gold or silver in ingots or mass, also old or uncurrent coin in mass, intended for recoinage, or gold or silver coins considered simply as a commodity.

By-Laws.—The private by-laws or regulations made by a corporation for its own government.

C

c. or cts	cents,
C/A	capital account,
C.B.	cash book.
C & F	cost and freight (see Loco.),
cg	centigramme,
chgs	charges,
c.i.f.	cost, insurance and freight, (see Loco.),
ck	check or cheque,
cm	centimetre,
Co	company,
C.O.D.	cash (or collect) on delivery,
com	commission,
com'l	commercial,
cons't	consignment,

C/P	charter party,
cr	creditor, credit,
C T	cable transfer,
ctg	cartage,
cum. div / cum. d/ / c. d.	with dividend,
cwt	hundredweight.

Cable Transfers.—Generally known as **Cables,** a transfer of credit by cable. Cable payments being immediate, no question of interest is involved. The mail time between the points involved and the interest rate are two of the chief factors in determining the difference in the rate of exchange between cables and demand bills. The higher the rate of interest the more the quotations diverge.

Call Money.—Sums of money, payable on call or demand, borrowed by stock brokers, bill brokers and others. Collateral is usually provided to secure these loans. The money so loaned generally represents the surplus or floating money on the market. By New York Stock Exchange rules a demand for the return of a call loan must be made before 1 p.m., and payment must be made before or at 2.15 p.m. the same day. In London, these loans are called "day to day" loans.

Calls.—Demands on subscribers to make instalment payment on shares. (See also Puts and Calls.)

Cambist.—(1) A dealer in foreign exchange.
(2) Books giving moneys, weights, and measures of different countries and their equivalents.

Capital.—The investment in a business. This may represent the amount invested by a single proprietor, partnership or company, while the term Capital Stock would apply to that of a company alone. In addition to invested capital, which represents proprietors' interest, capital can be raised by mortgage or mortgage bonds, but this is distinguished from invested capital by being shown apart from it in a statement under an appropriate heading such as "Mortgage Payable" or "Bonds Payable."

Capital Stock.—The amount of capital paid in by the shareholders of a company. This is the actual paid up capital of a company, but the terms **Authorized Capital** and **Subscribed Capital**

are also used to indicate respectively the amount of capital a company is permitted by its charter to issue, and the amount that subscribers have promised to take up and pay for, but which may not yet have been paid.

Case of Need. A notification sometimes put on a bill of exchange naming a party who will guarantee payment, etc., for the honour of the drawer or one of the endorsers should the bill not be met at maturity. The usual form is "In case of need apply to N— & Co." (See Acceptance for Honour.)

Cash.—Gold, silver and copper coins, Dominion Government notes, Chartered Bank notes, money orders, bank drafts, cheques and anything that may be given or received as money, and is immediately realizable.

Cash Reserve.—(See Reserve.)

Caveat (Let Him Take Heed). A warning or notice entered on the books of a Registry Office or Court to prevent a certain step being taken; for example, the sale or mortgage of a piece of land, without informing the caveator.

Certified Cheques.—A cheque which has been marked or accepted by the bank on which it is drawn. This is done by means of a stamped certification on the face of the cheque and is a recognition by the bank that the cheque is good and of an undertaking to pay it on presentation.

Certiorari.—A writ from a higher court commanding the records of a case pending in a lower court to be brought before the former.

Cestui Que Trust.—One for whose benefit property is held by a trustee.

Chain Rule. A method of calculation used in indirect or arbitrated exchange. It consists of arranging the terms of the exchanges in the various currencies under consideration in such a manner that the required equivalent is quickly obtained.

How many x=b,	How many dollars (x)=100 rupees,
if b=c	if 1 rupee= 16 pence
and c=d	and 48 pence= 1 dollar?
and d=x?	

$$x=\frac{100\times16\times1}{1\times48}=\$33\tfrac{1}{3} \text{ (answer).}$$

Note that the first terms and the last terms are always in the same currency.

Charges. In a commercial sense this refers particularly to expenses incurred in transporting or handling goods. The term is most frequently found in relation to a commission business.

Charter. (1) A special act of legislature creating a particular corporation.

(2) A formal instrument by which a government grants special rights or privileges to a particular person or persons.

(3) To hire or let a vessel, or part of it. (See Charter Party.)

Charter Party.—The agreement or contract between the shipper of goods and the ship owner entered into when a vessel is chartered.

Chattel Mortgage. A conditional sale of personal property which is to become void after a certain thing happens. Chiefly used as a security for the payment of money.

A chattel mortgage differs from a bill of sale (q.v.) in so far as it empowers the creditor or mortgagee to sell the goods if the money is not repaid with interest at the time appointed, or the obligation otherwise discharged.

There is no chattel mortgage in the Province of Quebec. (See Bill of Sale.)

Chattels.—Personal movable property.

Cheap Money.—Money is said to be cheap when the floating supply of gold is plentiful and interest rates are consequently low. At such times the prices of stocks and bonds are likely to advance, not because they are worth more, but because money is worth less, its purchasing power having decreased.

Cheque.—A bill of exchange drawn on a bank and payable on demand. (Section 165, B.E.A.)

Cheque to Bearer.—A cheque "to bearer" is payable to any person who presents it. If crossed, however, it must be paid through a bank.

Cheque to Order.—A cheque to order must be endorsed by the payee before payment. If crossed, it must be paid through a bank. (See Crossed Cheques.)

Cheque Rate.—(See Short Exchange.)

Chose in Action.—Personal property not in actual possession, but which the owner has the right of action to recover, such as a debt, etc.

Circular Letter of Credit.—(See Letter of Credit.)

Circular Note. A note for a specified round amount, such as £10 or £20 issued by a bank and payable by any one of its correspondents at the current rate of exchange. These notes are used with a letter of indication and have proved to be very useful for travellers. (See Travellers' Cheques.)

Clean Bills.—The name given to a bill of exchange which is not accompanied by documents of any kind, such [illegible] bills of lading, etc.

Clearing Houses.—Institutions formed in lar[illegible] for the purpose of facilitating the daily [illegible] etc., between the various member ban[illegible] the day, each member will have only on[illegible] or to receive. In the United Stat[illegible] assumed wider functions.

Clearing House Gold Certificates. Certificat[illegible] gold deposited in the vaults of the clearing house or the sub-treasury in New York are transferrable by endorsemen[illegible] are used only in settling clearing house balances, and may be counted as gold in the reserves.

Clearing House Loan Certificates. Certificates issued by the New York Clearing House in times of monetary stringency. They are issued to banks against deposits of approved collateral to be used in the settlement of daily balances and are retired as promptly as circumstances will permit.

Code.—(1) A systematic collection of laws and statutes so arranged as to avoid inconsistencies, etc.

(2) Cipher Code is a set of words arbitrarily representing other words or sentences, etc., thus affording both secrecy and brevity in telegraphing or cabling.

Codicil. A supplement to a will for the purpose of altering or adding to its contents.

Collated Telegram. A telegram that is repeated, at the desire and cost of the sender, thus insuring its correct transmission.

Collaterals.—Security for loans or other indebtedness. Thus, if we borrow funds from a bank, giving our promissory note therefor, we may be called on to furnish further security of a definite tangible nature; such as, bills receivable, shares of stock, bonds, etc.

Commercial Crisis.—A period of general distress throughout a country, often international in its cause and effect. The crisis itself is the turning point, when a period of expansion is changed into one of contraction of credit and business. Crises are generally due to over-expansion and often result in serious failures and panics.

Commercial Letter of Credit.—(See Letter of Credit.)

Commercial Paper.—Written orders or promises for the payment of money used in commercial transactions; such as, promissory notes, drafts, etc.

Commission.—A sum given for the performance of a service, especially a charge of so much per cent. made by a bank or broker, for buying or selling exchange or securities. (See Exchange.)

Common Stock.—That part of the capitalization of a company upon which dividends may be paid only after satisfying the requirements of bonds and **Preferred Stock,** if any. Common stock, as a rule, controls the policy of a company through its voting power.

Composition.—(See Compromise.)

Composition Deed.—An agreement among creditors by which they agree to accept a payment of so much on the dollar from a bankrupt or an insolvent instead of the whole amount owing. The agreement of each creditor with the others is the consideration which binds the contract with the debtor.

Compromise.—An agreement between a debtor and his creditors, by which the latter consent to accept a certain proportion of their claims and discharge the debtor from the remainder.

Concurrent.—Existing together. A consideration is concurrent when the acts of the parties are to be performed at the same time.

Condition Precedent.—A modifying clause of an agreement requiring some act to be performed by one person before another is liable, or in order to make him liable.

Condition Subsequent.—A part of an agreement relating to a future event, upon the happening of which the obligation is no longer upon one of the parties to a contract.

Consideration.—The reason or inducement in a contract upon which the parties consent to be bound. Every contract must have a consideration.

Consignee.—The person to whom goods are consigned or sent, the goods being called a consignment. This term while used particularly in relation to goods sent to an agent or commission merchant to be sold on commission is not confined thereto in general usage.

Consignment.—(1) The sending or delivering of goods by one person, the consignor, to another person, the consignee, generally in another town or country.

(2) The goods consigned.

(3) A written instrument by which something is consigned.

Consignor.—The person or firm, who sends the goods to the consignee. To him the goods will be known as a shipment.

Consols.—This term is a contraction of "consolidated funds", and is generally used in reference to the funded debt of Great Britian, the official name being "Consolidated Annuities."

Nine separate loans in the form of annuities at different rates were consolidated into a 3 per cent. stock in 1751. In 1888, these were converted into a $2\frac{3}{4}$ per cent. stock and later on, in 1903, into a $2\frac{1}{2}$ per cent. stock, their present form. The price of "Consols" is regarded as the gauge of the national credit of Great Britain. "Consols" are practically perpetual annuities, as the principal is only payable at the pleasure of the Government.

Constant.—A quantity of fixed value in foreign exchange or other calculations, and an invaluable labour saving device in business. Thus 15/73 is the constant, which multiplied by any number of dollars will give the equivalent number of pounds at par ($4.86\frac{2}{3}$) and conversely 73/15 multiplied by pounds will give the equivalent in dollars.

In gold bar calculations the constant 378.98363 divided by Bank of England price per ounce for gold bars in shillings will give the equivalent quotation per pound in dollars. Thus:

$$\frac{378.98363}{77/10\frac{1}{2}} = \$4.8665; \qquad \frac{378.98363}{77/9} = \$4.8744.$$

Consular Certificate.—(1) Some countries require a certificate signed by their consul or representative at the point of shipment to accompany all imports of over a certain value. Three copies

are generally made out: the original which is retained at the Consulate; the duplicate which is handed to the shipper to send to consignee and the triplicate which is forwarded to the custom house at the port of entry.

(2) When powers of attorney or other legal documents are executed in a foreign country, a certificate from the British Consul at that point is generally required as a proof of the genuineness of the signatures, etc.

Contango.—A London Stock Exchange term for the premium or rate paid for carrying shares from one settlement day to another.

Continental Exchange.—Continental exchange or a continental bill is one payable on the Continent of Europe, or elsewhere in Europe than Great Britain.

Continental Paper Money.—Currency issued by the Continental Congress during the Revolutionary War, and used to defray the expenses of the war. Over $360,000,000 of this currency was issued and it depreciated to such an extent that at one time it was said a $1,000 bill was worth only one dollar in silver, hence the term "rot worth a Continental."

Contingent Liability.—The liability of a person, which only becomes enforceable against him in certain events, such as the non-payment of a note on which he is secondarily liable.

Contributories.—Those persons who are liable to contribute to the assets of a joint stock company in the event of its being wound up; e.g., shareholders, who have not fully paid for their shares, are liable for the unpaid balance. In the case of Canadian chartered banks shareholders are liable in addition for an amount equal to the par value of the shares, hence the term, **Double Liability,** as applied to holders of bank shares.

Convertible Paper Currency.—Paper money, which the holder has the right to present at the place of issue at any time and receive its face value in standard gold or silver coin. (See Inconvertible Money.)

Conveyance.—The transfer of the ownership of property by one person to another by legal document.

Cooperage.—Expenses involved in repairs to casks, boxes, or other containers.

Copyright.—The sale and exclusive right of printing or otherwise increasing the number of copies of a work of a literary, artistic or musical character.

Corporation.—A collection of individuals united by authority of law into one body under a special name, with the capacity of perpetual succession and to act in many respects as an individual.

Coulisse.—The unofficial or "curb" market of the Paris Bourse, consisting in the main of high class firms and arbitrage houses. The members are called "coulisseurs."

Council Drafts.—Drafts issued by the Indian Council in London, upon the Indian Government and payable at the banks in India. They are issued to correct the exchange and to prevent frequent transmission of bullion.

Counterfoil.—That part of a writing (as the stub of a cheque) kept for reference, and on which is noted the main particulars contained on the part which has been issued.

Country Clearing.—A system in England by which cheques on country banks are sent to London, for the purpose of being paid by London agents, through the clearing house and by it distributed. The system obtains in a lesser degree in Canada and the United States.

Country Notes.—In Great Britain means a circulating note, payable to bearer on demand, issued by a bank other than the Bank of England (a note issued by the latter is known as a bank note) and can only be issued by banks which have no branch in London.

Course of Exchange.—This is the English name for a report or record of foreign exchange rates. These rates are issued by the various exchange brokers in London at the close of the market on Tuesday and Thursday each week.

Covenant.—Any transaction contained in a sealed instrument.

Covering.—In foreign exchange dealings, "covering" consists in providing funds by bills of exchange, cables, etc., to meet drafts already issued. A bank in Canada, for instance, might draw on the Havre branch of the Crédit Lyonnais and provide the means of reimbursing the latter bank by remitting the necessary funds to the London or Paris branch of the Crédit Lyonnais.

Also a stock exchange term, signifying the buying in of stock that has been sold "short" (q.v.) in order to meet engagements, or as protection from loss.

Coverture. – The legal state and condition of a married woman.

Crossed Cheques. –The crossed cheque is not used in Canada, though it is authorized by the Bills of Exchange Act (Sec. 168-175). In England, however, where the banks are not bound to identify the holders as they are in Canada, cheques are crossed in order to make it difficult for wrongful holders to obtain payment.

A cheque is crossed generally by drawing two parallel transverse lines across its face, with or without the word "Bank" ("and Co." is the form given in the Imperial Act). This constitutes a "general crossing" and the bank on whom it is drawn will pay it only through a bank. If the name of a particular bank is written between the lines, the cheque is "crossed specially" and may only be paid through and to that bank. If the holder of a crossed cheque is a customer of the drawee bank, the latter must not pay cash, but will credit the customer's account, and the latter can then withdraw the amount by cheque, if he so desire. (Sections 168 to 175, B.E.A.)

Cum Dividend.—When stocks or shares are sold and the buyer is entitled to the dividend that is due or accruing, he is said to have bought "Cum Dividend."

If the stock is sold **Ex Dividend,** the buyer must, on receipt of the dividend, hand the same over to the seller.

Cumulative Preference Stock.—Is that preferred stock which, in the case of a shortage in dividends declared in any one year, carries the right to have this deficit payable out of profits of the following years, or out of reserve, or both, before a dividend can be declared on the common stock. This is a privilege that does not belong to **Ordinary Preferred Stock.** In the accounts, should there be a shortage in dividends declared on the cumulative preferred stock, this shortage does not appear in the balance sheet as a liability, for it is not a charge against the present assets of the company, but only against future distribution of profits. A memo should be made below the balance sheet, however, showing the amount that must be paid to make up this shortage, in addition to the regular annual divi-

dends, before any dividends will be payable to holders of common stock. This announces the true situation to any prospective purchasers of other kind of shares.

Currency. The circulating medium of a country or the money by means of which sales and purchases are effected, consisting of coin, bank notes and other paper money; in its broad sense, it includes bills of exchange, cheques and other substitutes for money. As one writer says "Money is currency, but currency is not necessarily money." (See Money, Monetary Standard.)

Currency (of a Bill or Note). The time between the date of a bill or note and its maturity. When a bill is payable after **sight** the currency begins from the date of acceptance; when drawn after **date**, from the date of the bill or note.

Current Account. A banking term signifying the amount of money deposited by a customer, which can be added to or withdrawn at any time. Corresponds to "ordinary account." (See Deposit Account.

D

D/A............surrender documents on acceptance.
dbk............drawback,
d.d.............day's date,
Dec.............December,
dft.............draft,
dis.............discount,
div.............dividend,
D/P............surrender documents on payment,
dr..............debit, debtor,
d.s.............day's sight.

Days of Grace.—By the law of some countries, three additional days before payment need be made are allowed to the obligant after the nominal maturity of a promissory note, bill of exchange or draft, unless drawn on demand or in the case of Great Britain, at sight. (Section 42, B.E.A.)

Dear Money.—Money is said to be dear when the floating supply of capital is scarce and interest is therefore high. At such times security prices are depressed, not because the securities are worth less, but because money is worth more.

Debenture. An instrument in the nature of a bond given as an acknowledgement of a debt, and providing for repayment out of some specified fund or source of income. This is a convenient form of investment. Debentures are sometimes secured only by the general credit of the issuer and not by specifically pledged assets as in the case of bonds. (See Bond.)

Debenture Stock. This stock ranks with the ordinary debentures, and the holders are not answerable for any debts or liabilities of the company. Unlike ordinary debentures, however, debenture stock is registered at the head office of the company. In the register, the names and addresses of the several persons entitled to the debenture stock are recorded, with the respective amounts; and all transfers of debenture stock are similarly recorded. This register is accessible for inspection and perusal at all reasonable times, without fee, to any shareholder, mortgagee, bondholder, or debenture stockholder of the company. The company delivers to every holder of debenture stock a certificate stating the amount held by him, and the rate of interest payable thereon. The holders of debenture stock are not entitled to be present or to vote at any meeting of the company. They are simply in the position of mortgagees of the company, except that they have not the right to require repayment of the principal of the debenture stock. The company may, from time to time, purchase in the open market and redeem any portion or portions of the debenture stock, which the directors, by a resolution duly made, determine not to be required for the business of the company.

Deed. A term applied to any legal instrument under seal, but particularly to the sealed instrument used in the conveyance of real estate.

Deferred Shares. Stocks or shares, which entitle the holders to dividends only after the claims of prior shareholders have been satisfied. Founders shares are frequently made deferred.

Del Credere. An Italian phrase signifying a commission charged for guaranteeing the credit of a person or firm to whom goods are sold. This function is sometimes undertaken by banks.

Delivery Order.—A negotiable document made out and signed by the owner of goods stored at a warehouse or dock, authorizing the delivery of such goods.

Demand Drafts.—A bill of exchange payable on presentation. It does not need acceptance. In Great Britain "at sight bills" are payable on demand. (Section 23, B.E.A.)

Demurrage.—(1) The charge made by transportation companies when vessels or railroad cars are detained beyond a stipulated time for loading or unloading freight.

(2) The charge of 1½ d. per ounce made by the Bank of England for exchanging gold coins or notes for bullion.

Denominations.—In exchange the multiples and sub-multiples of a monetary unit represented in the coinage or paper currency; for instance, the denominations of the British Imperial System are sovereign and half sovereign, in gold; crown, half crown, florin, shilling, sixpence and three pence in silver; penny, half penny and farthing in copper.

Deponent.—One who makes oath as to the truth of a written instrument.

Deposit Account.—An English banking term signifying sums deposited at stipulated rates of interest, withdrawals from which can be made only upon giving so many days notice. Corresponds to Savings Bank acccount. (See Current Account.)

Deposit Rate.—The rate of interest allowed by London banks on short time deposits is one and a half per cent. below the bank of England rate. This rate governs the amount of rebate allowed on "documentary bills" retired before maturity, which are rebated at a rate of one-half per cent. above the deposit rate. During 1915, war conditions made this margin more elastic according to requirements of the banks.

Depreciated Currency.—Paper money is a depreciated currency when its purchasing power as compared with gold has fallen, or in other words, when prices as expressed in paper money have risen. If 100 gold dollars is equivalent to 225 paper dollars, gold money is at a premium of 125% and paper money is at a discount of 55 5/9% ($\frac{125\times100}{225}=55\frac{5}{9}$). Instances of this have occured in South American countries where the governments have issued their own notes.

Depreciation. Diminishing value. Generally used in business to signify decline in value of any property, especially buildings, machinery and plant, due to continued usage, lapse of time or invention of new methods and machinery. It is fundamental

that a sufficient allowance for depreciation should be made in *every* business, otherwise the fixed capital of the concern would be subject to continuous impairment.

Dies Non.—A day upon which, owing to some particular circumstance or event, no business can be transacted. A legal holiday or non-juridical day.

Direct Exchange.—Exchange between two places; for instance, exchange between Montreal and Toronto or between Montreal and Paris is direct exchange. (See Indirect Exchange.)

Disability.—Want of qualification. Incapacity to do a legal act.

Disaffirment.—The annulling or cancelling of a voidable contract.

Discount.—The amount charged to cover the interest of money advanced on a bill or other document not presently due. This amount or discount is generally deducted from the face amount of a note or draft by a bank. The term discount is also applied to a deduction from the amount of an invoice or account for payment before due.

Dishonour.—The non-acceptance of a draft or the non-payment of a bill of exchange at maturity or of a cheque when presented to the bank upon which it is drawn.

Dividend.—(1) Something to be divided.

(2) That portion of the profits of a company that is periodically distributed among its shareholders. When a company pays no dividends at one or more of the periods, it is said to have "passed" its dividend.

(3) The distribution that is made to the creditors of a company or other concerns, bankrupt or in liquidation. (See Interim Dividend.)

Distraint or Distress.—The act of seizing goods for rent due.

Dividend Warrant.—A cheque issued by a corporation in payment of its dividend. (Section 7 B.E.A.)

Documentary Bills.—A term used to indicate a set of bills of exchange having attached to them a letter of hypothecation, bill of lading, invoice or insurance policy as security. (See Hypothecation, Letter of.)

Dollar Exchange. A bill of exchange drawn in a foreign country and payable in America in dollars, or drawn in America in dollars and payable in a foreign country.

Domestic Inland Exchange. A term applied to the transfer of funds between points in the same country, generally by means of cheques and bank drafts. Inland exchange is calculated in only one kind of money. No conversion is necessary as in the case of foreign exchange and the difference between the amount remitted to the payee and the amount paid for a draft is in the form of a discount or premium on the amount; this is called exchange (q.v.). The total transactions in domestic exchange may be said to act as a clearing house between different sections of a country, whereas foreign exchange operates a clearing house between nations.

Domicile. (1) The place where a man has his permanent residence or home, and to which he intends to return if absent.

(2) A term used to signify the place at which a draft, promissory note, etc. is made payable, that is, if a draft is made payable at a certain place, it is domiciled at that address.

Donatio Mortis Causa. A gift of personal property made in contemplation of death. Should the donor recover, he may revoke the gift and again take possession of what was given.

Double Name Paper.—A draft or promissory note that is endorsed, and has two independent names on it. The term "two name" paper is sometimes used.

Double Standard.—(See Bimetallic Standard.)

Dower.—The right of a widow to the use or ownership of some portion of the real estate owned by her husband.

Draft.—(See Bill of Exchange.)

Drain of Bullion. A serious loss or drain of gold from a country by export. This, if not checked, would affect the bank reserves and leave the supply insufficient to meet the requirements of trade.

Drawee.—The person upon whom a draft is drawn. He incurs no liability until he has accepted, and he is then referred to as the **acceptor.** (Sections 18, 20, 127 B.E.A.)

Drawer. The person who draws (issues) a draft or other order to pay money.

Drawback. When used with reference to customs business, refers to the refund of duty on locally manufactured goods, where an excise duty has been levied for their manufacture, or on imported goods, when such goods on which the duties have been levied are exported instead of being used within the country. Excise duty is levied on such articles as distilled spirits, fermented liquors, tobacco, etc., which are manufactured within the country for home consumption.

Drayage. —Charges for hauling or delivery of goods on drays.

Due Bill. —An acknowledgment of debt indicating a promise to pay on demand, no time being stated.

Duplicate. —A Copy.

Duties. Or Customs levied on imported goods are of two kinds, *Ad Valorem* and Specific. **Ad Valorem Duty** is a certain per cent. levied on the value of the goods. **Specific Duty** is a tax that is assessed on quantities, and maybe a certain number of cents per pound, per foot, per yard, per gallon, or in whatever other form the article of substance is. This is done without reference to the value of that on which the duty is levied.

E

E. E.	errors excepted,
E. & O. E.	errors and omissions excepted,
e. g.	for example,
etc.	and others; and so forth,
et al.	and others,
exch.	exchange,
ex. d. or x/d.	ex dividend,
ex. cp. or x cp.	ex coupon.

Eagle. -The standard gold coin of the United States, ten dollars weighing 258 grains, nine tenths fine (232.20 grains fine gold). (See Mint Gold.)

Earmarked.—This word is used in London in reference to gold that is held in the vaults of the Bank of England on behalf of a customer, and is therefore not the property of the bank, who is simply bailee.

Earnest or Earnest Money.—A sum of money, usually a nominal amount, given as evidence of a concluded bargain.

Easement.—A privilege which the owner of one adjacent property has over the adjoining property.

Effects.—Money and personal property of every kind.

Elastic Currency.—When the volume of a note circulation automatically contracts and expands according to the demands of business, the system is said to be elastic. Dunbar defines it as a "responsiveness to present increase or diminution of demand—the power of adaptation to the needs of the month, the week or the day, whether rising or falling." Leslie M. Shaw, late Treasurer of the United States, says: "The only elastic currency known to man is one based on asset currency."

Embargo.—A stoppage of trade between certain ports by authority.

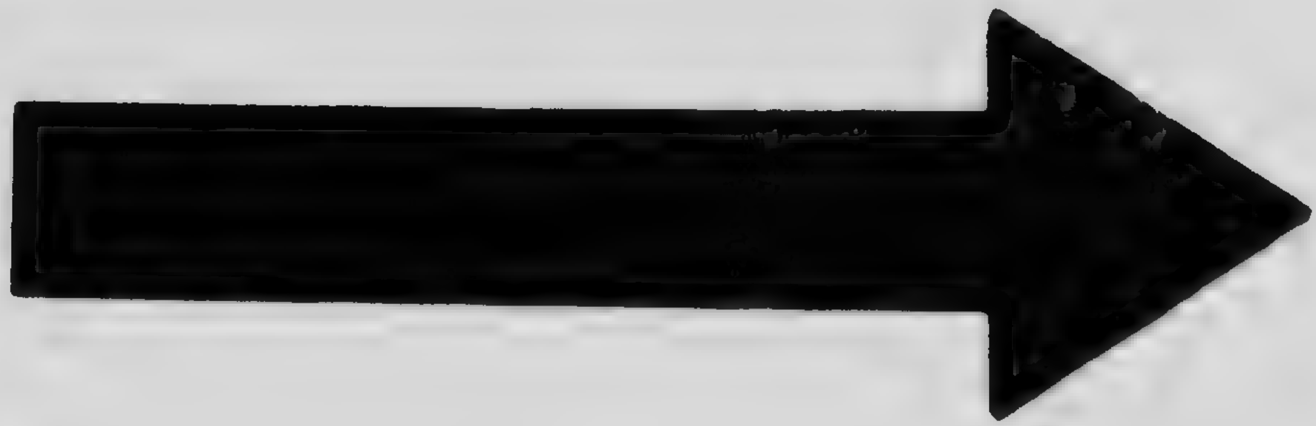
Emblements.—Growing crops of any kind produced by labour and expense.

Emergency Currency.—Is the name applied to currency for temporary use during periods of special demand or in times of money stringency or financial panic. During crop moving time (September 1st to February 28th) the Canadian chartered banks are permitted to issue an emergency currency to the extent of 15% of their combined paid-up capital and reserve fund.

Eminent Domain.—The right of the sovereign power or state to take private property for public use.

Endorse.—In a specific sense, to affix one's name to a cheque, bill of exchange or other negotiable instrument in order to transfer or guarantee it. According to ordinary practice, but not necessarily, the signature in such case appears on the back of the document.

Used in a general sense, to write anything on the back of a document of any description or to ratify or confirm anything. (Sections 60, 62, 63, 131 B.E.A.)



MICROCOPY RESOLUTION TEST CHART

ANSI and ISO TEST CHART No. 2

1.0 2.8 2.5

3.2 2.2

3.6

4.0 2.0

1.1

1.8

1.25 1.4 1.6

Endorsee.—The one in whose favor a note, bill or cheque is endorsed by the endorser.

Endorsements, Endorsation.—(1) The act of endorsing or writing on a negotiable instrument in order to transfer or guarantee it. The endorsement is generally written on the back of the instrument as the most convenient place for the purpose.

(2) The signature or other writing on the back of a bill of exchange, promissory note, cheque, etc.

Endorser.—The person by whom a bill of exchange or other negotiable instrument is endorsed to complete the negotiation. Delivery of the instrument is essential.

Entail.—(1) Property limited in passing to a particular heir or heirs.

(2) To limit the succession of real property, that is to curtail the passing of real property on the death of the owner.

Equitable Mortgage.—A transaction which has the intent but not the form of a mortgage and which in a court could be enforced to the same extent as a mortgage; for instance, a loan on the faith of a deposit of title deeds.

Equity.—Equity in a loan is the difference between the market value of the securities pledged as collateral and the amount borrowed.

Equity in a property is the surplus value which would remain if a property had been disposed of for the satisfaction of the liens thereon.

Equity of Redemption.—The right which a mortgagor has to redeem his estate after the mortgage becomes due.

Escheat.—Property which falls to the crown owing to failure of heirs or through forfeiture.

Escrow.—A document completely executed under seal, but delivered to a third person to be surrendered by him to the person whom it purports to benefit (the grantee) and to take effect only when certain specified conditions shall have been satisfied.

Estoppel.—A rule of law which precludes a man from denying certain facts or conditions in consequence of his previous conduct or allegations.

Exchange.—(1) The system on which bills (chiefly foreign) are dealt in and valued. In a broader sense, the operation by which settlements are effected between different countries (foreign

exchange) or between points in the same country (inland exchange) for goods, securities, etc., purchased.

(2) The charge made by a bank in buying or selling inland exchange, generally made in the form of a percentage on the amount. Such charge should be sufficient to cover the expenses of the transfer, and give the bank a reasonable profit on the transaction. There are four elements of expense to be considered:

(i) Postage and the actual cost of stationery, clerical work, etc.;
(ii) Interest for the time the amount is outstanding;
(iii) (a) If the transaction is with a branch, the cost of the ultimate transfer of funds between branches;
(b) If with a correspondent, the actual charge made by the correspondent;
(iv) Profit to bank.

In the case of foreign exchange, all these items including stamps (if any), are allowed for in making the rate of exchange.

Exchange, Par of.—(See Par of Exchange.)

Ex Dividend.—(See Cum Dividend.)

Execution.—(1) A written command issued to a sheriff or other officer after a judgment directing him to enforce it.

(2) The act of signing a certain legal instrument, or giving it the confirmation required to make it valid.

Executor.—A person named in a will to carry out its provision.

Executory Contract. One in which something remains to be done on one or both sides.

Ex Officio.—By virtue of office.

Ex Parte. On behalf of. An instance of this is when a certain proceeding is taken by one party when the other or others are not present.

Expected to Rank.—A term used in insolvency to indicate the amount of money that will be actually owing under a certain claim when the estate comes to be liquidated.

Express Money Order.—An order issued by an express company. It resembles a cheque or draft in some respects, but, as it orders an act to be done in addition to the payment of money, the holder is not protected by the provisions of the Bills of Exchange Act.

F

f. or fcs. ....Francs,
f. a. a. ....free of all average.
f. a. s. ....free along side ship,
f. g. a. ....free of all general average,
fo., fol. ....folio,
f. o. b. ....free on board (See Loco.),
F. P. ....fire policy,
f. p. a. ....free of particular average,
frt. ....freight,
ft ....foot or feet.

Face.—The amount for which a bill is drawn, a note is made out, stock certificate is made out, etc.

Facsimile.—A true copy, a copy without variation.

Factor.—A person who, while carrying on business in his own name and not in that of his principal, buys and sells goods for another. He usually has possession of the goods in which he deals, thus differing from a broker. He also possesses wider powers. When a factor accompanies on a voyage a cargo he is employed to sell, he is called a **Supercargo.**

Failure.—The suspension of payment of a commercial firm or individual.

Falling Exchange.—(See Favourable Exchange.)

Favourable Exchange.—When foreign exchange is quoted in dollars or cents per foreign unit (fixed exchange) a falling rate is favourable to (in favour of) Canada and unfavourable to (against) the country where it is payable. For instance, exchange in Holland is quoted at so many cents per guilder, and when the rate is falling a guilder costs fewer cents. Low exchange also signifies that the balance of indebtedness is in favour of Canada.

Conversely a rising quotation in a fixed exchange signifies that the exchange situation is **Unfavourable** to Canada and favourable to the foreign country, as the foreign unit costs more.

For instance, exchange in London is quoted at so many dollars and cents per pound sterling, and when the rate is rising the pound costs more in dollars and cents.

When foreign exchange is quoted in foreign money per dollar it is called "Movable Exchange" and a falling rate signifies that the exchange is unfavourable to or against Canada and favourable to the foreign country. For instance, exchange on Paris is quoted in francs and centimes per dollar, and when the rate is falling, fewer francs can be purchased with a dollar and the balance of indebtedness is in favour of France.

Conversely a rising quotation in a movable exchange signifies that the exchange situation is favourable to Canada and unfavourable to the foreign country as a dollar buys more francs and centimes.

Canada and the United States have only movable exchange rates in connection with certain countries in the Latin Union,particularly France, and it is most important to thoroughly master the fact that the higher the rate the cheaper the exchange.

Fixed Exchange (dollars for foreign unit). Falling rate is favourable (fewer dollars given for foreign unit). Rising rate is unfavourable (more dollars given for foreign unit).

Movable Exchange (Foreign unit per dollar). Rising rate is favourable (more foreign money given for dollar). Falling rate is unfavourable (less foreign money given for dollar).

Fee-Simple.—A freehold estate, absolutely free and entirely at the disposal of the owner. This is the highest estate in land known to the English law.

Fee-Tail.—A freehold estate which must descend in a particular line.

Fiat Money.—Fiat means "Let it be made" and fiat money is paper currency issued by a Government against which no gold or silver reserve is held. It is simply money by decree of the Government. Its use invariably leads to serious consequences to any country weak enough to permit its issue. (See Gresham's Law.)

Fictitious Payee.—The insertion in a bill or cheque of the name of a person to whom the instrument is not intended to be paid. (Section 21-25 B.E.A.)

Fieri Facias (Fi. Fa.). An order of a court entitling a judgment creditor to have delivered to him or sold for his benefit personal property belonging to the debtor.

Finance.—The science of money and money affairs, the systematic control and regulation of the revenues and expenditures of a state and of its banking, financial and allied legislation. The term is generally applied in commerce to the raising of money by bond issues, etc., and the providing of funds to carry out public and commercial undertakings.

Finance Bill.—A foreign bill of exchange drawn for the purpose of making available the funds obtained in connection with a financial transaction as an issue of stocks or bonds, etc. The term is also applied to a long bill of exchange drawn by a banker in one country on a banker in another, generally against balances or securities in the hands of the latter. The privilege of drawing such bills is useful in enabling bankers to anticipate a change in the rates of exchange. (See Foreign Exchange Loan.)

Fineness.—In reference to gold and silver coins fineness means the proportion of pure metal contained therein and is usually expressed in thousandths. A Canadian gold piece is .900 fine or nine-tenths pure metal and one-tenth alloy. A sovereign is .916⅔ fine, or eleven-twelfths pure metal and one-twelfth alloy.

First and Second Exchange.—(See Bill of Exchange.)

First Class Paper.—In the money market a phrase applied to drafts, promissory notes, etc., which bear the names of well known banks or houses as acceptors or endorsers.

Fixed Assets.—(See Assets.)

Fixed Charges.—Expenses accruing periodically in determined amounts which do not vary much with the volume of business done by a company in the particular period, but remain more or less fixed and unavoidable. The principal fixed charges are interest on mortgages, bonds and debentures, rent, salaries, taxes and insurance.

Fixed Rate of Exchange.—When foreign exchange is quoted in the home currency per foreign unit it is called **Fixed Exchange.** For instance, exchange on London is quoted in Canada in

dollars and cents per pound sterling. The latter is the fixed basis and its value fluctuates in dollars and cents and the higher the quotation the higher the cost of such exchange. When the rate is quoted in foreign units per home unit it is called **Movable Exchange.** For instance, exchange on Paris is quoted in francs and centimes per dollar. The dollar is the basis and the fluctuation occurs in the foreign currency, and the higher the quotation the lower the cost of the exchange in Canada. (See Favourable Exchange.)

Floating Money.—Floating or surplus money is a term used to designate funds temporarily free and available for call and other short term loans pending its more permanent employment. As such money is returnable on short notice, it commands but a low rate of interest.

Forced Currency.—Depreciated paper made legal tender by law (fiat money)—the currency is forced into circulation. Where fiat money circulates gold is at a premium.

Foreclosure.—The legal process of cutting off the right or interest of the mortgagor in mortgaged premises.

Foreign Exchange. The system by which one country discharges its debt to another country is called foreign exchange. This indebtedness may arise from shipments of merchandise, from money loaned or invested abroad or from interest on such funds, from payments by one country to another for freight and insurance or the expenditure of its citizens travelling abroad. Sometimes the balance of payments, as it is called, is with one country, sometimes with the other, and exchange rates will rise and fall accordingly. There are, of course, many other reasons which affect the exchanges, but the above are the principal factors in the fluctuations. The rate of exchange is best defined as the price of the money of one country reckoned in the money of any other country. In speaking of the rate of exchange between Great Britain and the United States, for instance, the quotation 4.8650 means that in New York a draft drawn on London can be bought at the rate of \$4.86½ for each pound sterling in it.

Foreign exchange differs from domestic or inland exchange (q.v.) in two important respects; in the first place it involves the conversion of money of one country into that of another, and secondly it involves to a much greater degree the consideration of interest for the time lost in transmission.

Foreign Exchange Loan. The loan of a bill of exchange, which the borrower can use either to remit abroad in payment of a debt, or which he may sell with the view of using the proceeds locally. Security is generally deposited with the lender.

When the loan matures the borrower retires it by delivering a sight sterling bill of exchange or he may pay the lender in cash at the current rate of exchange for sight sterling bills. In this way, the risk of exchange fluctuations rests entirely with the borrower. (See Finance Bill.)

Foreign Exchange Quotation. Exchange quotations are generally given in two columns, the first column (B) giving the price offered by buyers, and the other column (S) giving the seller's price, the one expressing the demand and the other the supply. B gives the lower quotation, as naturally the buyers offer a price as low as possible, whilst the sellers try to obtain the highest price. The real or trading quotation is generally somewhere between the two.

There are two classes of quotations, the "posted rate," which is used principally for small amounts and the "actual rate" or wholesale rate used between bankers and brokers for large transactions. As a rule, however, the rates for very large transactions are a matter of individual negotiation, owing to frequent changes in conditions during the day, and the rates are seldom announced in time to be of much use, except to show the general trend of exchange.

Foreign Postal Money Orders.—Money order issued by the Post Office for the transmission of a sum abroad.

Foreign Postal Remittances. A form of remittance (also called mail remittance), which meets the requirements of European emigrants and facilitates the transfer of money to places where banking facilities are limited. By this system, a bank requests its correspondent in another country to remit a certain sum to a specified person in that country, enclosing a draft or other cover for the amount and commission. The correspondent, on receipt, forwards the amount to the beneficiary by registered mail or local money order. A Foreign Postal Remittance blank comprises four forms:—

1. The selling bank's record of the transaction,
2. The advice to the correspondent giving full particulars and instructions,

3. Receipt for the remitter,
4. Advice to the payee of the remittance. This is printed in several foreign languages and handed to the remitter to mail with his letter.

Forward Exchange. A term used to express buying or selling foreign exchange for future delivery. In this way the rate is fixed at the time the transaction is made and the element of risk from a falling rate of exchange is eliminated. For instance, in July a manufacturer in Canada accepts an order for goods to be manufactured and shipped to England before 15th October. Knowing from experience that a change in the rate of exchange in October might make serious inroads into his profits, he asks his bank to quote him a rate for the amount of his shipment, and contracts to deliver the bills of exchange to the bank in October. In this way the rate is definitely fixed.

The bank can protect itself in two ways: first, by selling its own bills to fall due in London in October or, secondly, in its turn to sell London exchange for future delivery. As far as the obligation is concerned the latter alternative amounts to the same thing, except that no money transaction is involved. The decision of the bank is governed by the rate of interest obtaining in London in July. It is obvious that dealing in forward exchange is not necessarily based on an actual prospective transaction.

Fractional Currency.—Subsidiary coins or paper money used for change, 50 cents, 25 cents, 10 cents, 5 cents, and 1 cent.

Free Coinage. The unlimited coinage with or without a nominal charge, of bullion taken by individuals to a Mint or other Government depository. The term now applies only to gold as the free coinage of silver has practically, if not legally, been abolished in all countries. When bullion is bought and coined by a Government itself, as in the case of silver, the operation is termed "Coinage on Government account," and the profit resulting or seigniorage accrues to the country.

Free Credit.—(See Open Credit.)

Free from Responsibility. When one person holds a second person free from responsibility in connection with any transaction, it means that the latter is not liable for any loss or difficulty which may arise through forgery or technical defects connected with the transaction, provided he exercises ordinary business pre-

cautions. The second person acts simply as an agent for the first person, and any loss has to be borne by the first person.

The correspondents of a bank are usually held free from responsibility in making payment under a telegraphic transfer, provided the check (test) word of the code message is in order, and the correspondent uses ordinary business precautions and judgment in paying over the money.

French Gold. In specie transactions, gold of the Latin Union countries is known as "French Gold" to distinguish it from "Sovereigns" and "Eagles" and includes:

France, Belgium and Switzerland, 10 and 20 franc pieces;
Italy, 10 and 20 lire;
Greece, 10 and 20 drachma pieces;
Servia, 10 and 20 dinar pieces;
Roumania, 10 and 20 lei pieces.

The 20 peseta pieces of Spain, the $7\frac{1}{2}$ rouble pieces of Russia and the 100 franc pieces of Monaco are occasionally included in "French Gold" shipments.

G

gal. . . . . gallon,
gr. . . . .(wt.) grain, also for gross.

Garbled Coin. A term applied to coins which are withdrawn from circulation in consequence of their being worn or mutilated.

Garnishee Order, Garnishment, Saisie-Arrêt. A legal notice served on persons who are owing money to a judgment debtor, or who holds goods belonging to him, warning them not to part with such money or goods. When a garnishee order is served on a bank against a customer's balance, the whole account, including any collections, etc., on hand, is tied up and no withdrawals can be made from the account so long as the order remains in force. The term used in the Province of Quebec for garnishee order is *saisie-arrêt.*

Giro Conto. The Imperial Reichsbank of Germany transfers money from one branch to another free of charge for clients who carry satisfactory balances. These are known as Giro Conto transfers. In addition to the convenience to the customers, the practice evades the stamp duty on cheques.

Gold Exporting Point. (See Specie Points.)

Gold Importing Point. (See Specie Points.)

Gold Standard. A gold standard exists in every country where gold is made the legal measure of value. (See Bimetallic Standard.) Even in silver standard countries domestic trade is based on silver at its bullion value, which value in turn is based on the outside commerce of the country estimated in gold. Gold, therefore, is practically the standard of the world, adopted as such by law as well as custom in all the leading commercial nations and accepted, in fact, by every other country.

Good Delivery. Bonds or share certificates which comply with the rules of the stock exchange as to negotiability.

Good Faith.—Honest action, whether it is done negligently or not. (Section 3 B.E.A.)

Goodwill. Benefit arising from the fact that persons used to trading or doing business with a particular firm will continue to do so. It is an intangible property subject to transfer. (See Assets.)

Government Stock. This term refers to the issue of securities by governments, and the form of security would be very much the same as we have already described in connection with debenture stock, being redeemable only at the will of the Government. These may also be issued for any certain number of years, interest being payable on the interest dates throughout the period. Some municipalities, also, put out a form of municipal bond or debenture that is known as **Terminating Stock.** These will be issued for a definite period, but instead of having coupons attached for the holder to clip off and present for payment of interest, the interest is paid by warrant.

Grain.—A pound avoirdupois contains 7,000 grains and a pound troy contains 5,760 grains. Troy weight is used by the British and United States Mints in weighing gold and silver, while the metric or decimal system is used by other nations.

1 grain		(gr.)	= .06579895	grammes,
24 grains	= 1 pennyweight	(dwt.)	= 1.55517481	grammes,
20 dwts.	= 1 ounce	(oz.)	= 31.103496	grammes,
12 oz.	= 1 pound troy		= 373.241954	grammes.

Grain Bill. A draft drawn against a buyer or assignee of a shipment of grain. Generally drawn at seven days' sight with documents attached

Gramme. The unit of weight in the metric system (q.v.) equals 15.43234874 grains troy.

Greenback. A legal tender note of the United States so called because its back is printed in green. Greenbacks were authorized by the Act of 25th February, 1862, as a war revenue measure; they depreciated to 35 cents on the dollar in 1864, and stood as an unpaid forced loan until 1879. The amount then current, $346,681,016, was authorized for permanent circulation.

Gresham's Law. An economic law expounded by Sir Thomas Gresham, Master of the Mint in Queen Elizabeth's reign, "when two sorts of coin are current in the same nation of like value by denomination, but not intrinsically, that which has the least value will be current and the other as much as possible, will be hoarded." In other words, bad money drives out good. The law is equally applicable to paper money; inconvertible notes will drive out or cause to be hoarded coin or convertible notes.

Gross Profit. The excess of selling price of goods over their purchase price laid down or production cost.

Gross Weight. -Weight of goods including packages or the conveyance in which they are carried.

Ground Rent. The rent paid to a landlord for the privilege of building upon his land. The lease is granted for a certain number of years and on the termination thereof, the buildings which have been erected become the property of the landlord.

Guarantee, Guarantee Bond. An undertaking by one person to be responsible for the debt or contract of another. A guarantee is only enforceable in accordance with the strict meaning of its terms, and is a dangerous form of security, liable to be voided by what may appear to be a most trivial incident not affecting in any way the equities of the situation. (See *Del Credere.*)

Guarantor.—The person who gives a guarantee.

H

hhd. . . . . hogshead.

Hire Purchase. An arrangement by which it is agreed that the property in certain goods is to be transferred in consideration of a number of periodical payments, the property in the goods remaining in the vendor until all the payments have been made.

Holder of a Bill of Exchange. A bearer, payee or endorsee in possession of a bill of exchange, cheque or promissory note (Section 2 (g) B.E.A.)

Hypothecation, Letter of. A certificate attached to a documentary bill of exchange signed by the drawer describing the nature of the shipment, etc., and stating in effect (1) that the bill of lading is lodged as collateral security for the acceptance and payment of the draft, (2) that in case of dishonour, the holder is authorized to dispose of the goods and apply the proceeds towards payment of the draft and expenses incurred, (3) that the drawer holds himself lieble for any deficiency, and agrees to pay same on demand.

When an exporter sells a number of bills of exchange to a bank, a general or blanket hypothecation certificate is given to apply to any or all bills of exchange purchased from him.

A letter of hypothecation, may, of course, be given to cover any form of security.

I

ib. . . . . "ibid" (Latin *ibidem*) in the same place.
id. . . . . (Latin *idem*) the same.
i.e. . . . . (Latin *id est*) that is.
inc., incor. . . . . incorporated.
ins. . . . . insurance.
inst. . . . . instant, of the present month.
int. . . . . interest.
inv. . . . . invoice.

In Case of Need.—(See Case of Need.)

Inconvertible Paper Money.—Paper money which is simply a promise to pay and without a fund of gold or silver provided for its redemption. This class of paper money usually depreciates in value, since its eventual redemption is uncertain. In reality the paper is at a discount, though it is generally said that under such circumstances gold is at a premium. The credit of a country even though supported by ample assets of a fixed nature, is not sufficient to maintain its notes at par unless an adequate gold reserve is also held. (See Fiat Money.)

Indemnity, Letter of.—In a specific sense, a letter given to a bank to guarantee it against loss by reason of some defect, latent or otherwise, in a cheque or draft, such as an irregular endorsement, etc. When a bank draft or accepted cheque is lost, a letter of indemnity for twice the amount is required before a duplicate is issued. In a general sense, a letter of indemnity may be given to anyone who guarantees anything.

Indent for Goods.—The commercial name of an order for goods, giving full particulars as to terms and conditions upon which it is given.

Indenture.—A contract under seal. A written agreement between two or more parties. Several copies of such agreements were formerly written on one piece of parchment, and the parchment then cut irregularly (indented) so that the edges of the separated copies fitted exactly into each other, thus making fraud more difficult.

Index Number.—A number obtained by comparing the ratio of the wholesale prices of representative commodities at any time with the prices of the same staples during a certain year or period of years, the latter being adopted as a standard and its index number is therefore fixed at par.

Index numbers are most useful in a study of the trend of prices, and the movement of gold.

There are various index numbers in use, calculated on different fixed periods and lists of staples, etc. The best known index numbers are as follows:—

	Period	Number of Staples
London Economist......	1845–1850	22
Sauerbeck..............	1867–1877	45
Dunns.................	Monthly	350
Bradstreets............	"	107
Department of Labour, Canada............	1890–1899	230

A useful and interesting explanation of index numbers will be found in "Wholesale Prices in Canada," by R. H. Coats, B.A., published by the Department of Labour.

Indirect Exchange.—Exchange operations may be carried out in two ways, namely, by direct exchange (q.v.) which is effected by a direct remittance between the two countries concerned, or by indirect or circuitous exchange, which is effected by remittances through a country or countries other than those immediately concerned. For instance, a bank or broker in New York desiring to remit 10,000 marks to Berlin, might find it advantageous to buy a bill drawn on Paris and send it to his Paris correspondent, with instructions to purchase a bill on Berlin, or he might send the bill to Paris, and instruct his Berlin correspondent to draw on Paris. Again, he might remit to London in the first place, then to Paris, and finally to Berlin. To conduct operations in indirect exchange successfully, it is essential that the banker shall be in daily, if not hourly, touch with the varying conditions of the foreign exchange markets, and must cable his correspondents as to his intentions without delay, so that they will be prepared to carry out the transaction. Indirect exchange transactions are confined principally to large financial centres, and require experience and close study of financial conditons.

Indirect exchange is also known as **Arbitration of Exchange** and the rate obtained the **Arbitrated Rate of Exchange.**

Indorse.—(See Endorse.)

Indorsement.—(1) The act of indorsing or writing on the back of a negotiable instrument in order to transfer or to guarantee it.

(2) The signature or other writing on the back of a bill of exchange, promissory note, cheque, etc. Same as endorsement (q.v.).

Indorser.—(See Endorser.)

In Exchange.—When these words are added to the face of a draft, the amount of the draft must be paid by a remittance on the place from which the draft was drawn. For example, a draft drawn in Montreal on a person in Toronto "in exchange," means that at maturity the drawee in Toronto delivers in payment a bank draft on Montreal. Bills of exchange drawn in this manner are non-negotiable instruments, not being payable in money only, therefore the method is seldom used. The expression "in exchange" differs materially from "with exchange." (q.v.)

Inland Bill.—A bill of exchange drawn and payable within a country, or drawn within a country upon some person resident therein, domestic exchange. (Section 25 B.E.A.)

Instant.—Present; current. Usually used to indicate the present.

Insurable Interest.—Such as interest in the thing insured that the person possessing the interest may be insured to that extent.

Interest.—That which through lapse of time, accrues to the increase of indebtedness for money loaned, frequently also described as the amount paid for the use of money, better perhaps "paid or owing" for the use of money.

Interim Dividends.—Dividends declared at some intermediate date during a financial period and provided either out of current profits or out of the undivided profits of the preceding period.

Interior Movement of Money.—The movement or flow of money (credit and gold) within a country to and from the financial centre. In the United States for instance, the interior movement of money is said to be in favour of New York when more money is coming into New York from the rest of the country than is being withdrawn from New York. The movement is unfavourable when the reverse is happening.

In Transitu.—In course of transmission, on the way.

Inventory.—A list in detail of items of stock in trade or other property with their value.

Investment.—The giving out of money in the purchase of property, goods, etc., usually with a view to revenue therefrom. (See also Capital.)

Invoice.—A statement in detail of goods bought or sold.

I. O. U.—"I owe you." An acknowledgment or memorandum of a debt. May be used in a court as evidence of indebtedness, but is not a negotiable instrument.

J

J A . . . . joint account,
Jan . . . . January,
J. P. . . . . Justice of the Peace,
jr . . . . junior,
Ju . . . . June,
Jul . . . . July,
J . . . . journal.

Jobber.—One who sells to retailers goods that he buys from manufacturers or importers.

Joint and Several.—A term used to describe the liability of persons who have jointly and severally signed a note or other document, and are therefore liable for the full amount to the payee and all possible holders, though as between themselves they are only liable proportionately. A note signed by several obligants reading, "We jointly and severally promise to pay" or "I promise to pay" is a joint and several note. If the holder found it necessary to sue, in order to recover payment, he could proceed against all the makers jointly or against any one of them severally. If the note read, "We promise to pay" the holder would have to proceed against the makers jointly. (Section 179 B.E.A.)

Joint Stock.—(See Capital Stock.)

Judgment.—An order or decree of a court enforcing a contract.

K

Kilo.—An abbreviation of Kilogram, meaning 1,000 grams. It is a weight employed in the metric system, equivalent to about $2\frac{1}{5}$ lbs. In the grain trade quotations from Antwerp are per 100 kilos, equal to 3.67 bushels, and from Berlin are per 1,000 kilos or 36.74 bushels.

Kite.—A colloquialism for accommodation paper (q.v.). The dealing in fictitious or accommodation cheques and notes in order to raise money or keep up one's credit is called kiting or kite flying, and is a very dangerous form of financing, whether accomplished by means of cheques, drafts, or notes.

Knot.—A nautical mile, equal to 2028 yards or one-sixtieth of a degree of latitude.

Kopeck.—A Russian copper coin equal to the hundredth part of a silver rouble. The word is derived from the name of a lance, as a figure of St. George with a lance in his hand was formerly impressed on the coin.

Krone.—(Crown). The Danish and Norwegian unit equal to .2679 cents (100 ore), plural Kroner. The Swedish coin, though equivalent in value, is spelled Krona, plural Kronor. The Crown of Austria-Hungary (100 hellers) is also spelled Krone (value .2026 cents) but the plural is Kronen.

L

£..................Pounds sterling,
L. a...............letter of authority,
L. c...............letter of credit,
£E.................Pounds Egyptian,
led................ledger,
L. P...............life policy,
Lr.................Lire, (Italian currency) singular lira, plural lire,
L.S................(Latin *Locus sigilli*) place of the seal,
L.S.D..............(Latin *Librae, solidi, denarii*) pounds, shillings and pence,
£T.................Pounds Turkish,
Ltd................limited.

Lac or Lakh.—An Indian term signifying 100,000 rupees.

Latin Union.—A monetary union finally ratified in November, 1893, formed by the adoption of the same currency system under different names by France, Belgium, Switzerland, Greece and Italy. The system has also been adopted by Bulgaria, Roumania, Servia, Finland and Spain.

Law Merchant, Lex Mercatoria, or Lex Mercatorum.—The general body of usages and customs which regulate matters relating to commerce. Lord Campbell says: "When a general usage has been judicially ascertained and established, it becomes a part of the law merchant, which courts of justice are bound to know and recognize."

Lease.—A contract giving possession of real property for a certain time.

Legal Holidays.—Certain days appointed by law upon which it is recommended that people refrain from their ordinary duties. These are known also as "non-juridical days" for upon them no court proceedings can be taken. (See *Dies non.*) (Sections 2 (l), 43 B.E.A.)

Legal Rate of Interest.—A rate established by law (usually 5%) to apply to all cases where interest is due, but no rate has been established by the contracting parties.

Legal Tender.—Such money as a creditor is obliged to receive in satisfaction of a debt in terms of money of the realm. Legal tender in Canada consists of:—

1. Canadian, British and United States standard gold coins. (Multiples and halves of the eagle.)
2. Dominion of Canada notes.
3. Canadian silver coins to an amount not exceeding ten dollars.
4. Canadian copper or bronze coins to the amount of twenty-five cents.

Lessee.—One to whom a lease is made.

Lessor.—One who makes a lease to the lessee.

Letter of Attorney.—Authority in writing to act in the place of, but for, another.

Letter of Credit. An order given by a banker to a correspondent authorizing the latter to pay to a particular individual part or all of a certain sum of money. Owing to this vagueness, a letter of credit is not a negotiable instrument, and therefore payment can be legally demanded only by the person who is named in it.

There are two well-known forms of letters of credit:—

(1) Circular letters of credit, for use by travellers and tourists;

(2) Commercial letters of credit for use in trade.

The purchaser of a circular letter of credit is usually requested to sign a form of agreement and to deposit cash or security for the amount of the credit. He receives in return (a) the letter of credit; (b) a letter of indication in which he is required to write his signature forthwith, for purposes of identification; (c) a list of the bank's correspondents who have undertaken to honour such credits.

The purchaser of a commercial letter of credit first signs a letter of application giving full particulars as to the description, quantities, etc., of the goods he is importing, and the terms under which the credit is to operate and the bank then gives the purchaser a letter of credit to send to the exporter abroad, sends a similar one to its correspondent named on the face of the credit, and retains a copy for its own files. On the back of the latter is an agreement as to repayment, etc., which the customer is required to sign.

The exporter, on presentation of bills of lading, invoice and other satisfactory proofs that the terms of the credit have been complied with, obtains payment or acceptance of a draft for the amount through the correspondent, and thus realizes promptly on his goods. The latter retains the documents and forwards them to the bank which issued the credit and, on the arrival of the goods, the latter surrenders to the importing customer the bills of lading, etc., either on payment of the amount or against a trust receipt.

Letter of Delegation.—A letter conferring authority to collect an amount due.

Letter of Hypothecation.—(See Hypothecation, Letter of.)

Letter of Indication.—The letter of indication issued with a Travellers' Circular Letter of Credit. It is signed at the time the letter of credit is purchased, and is exhibited with each withdrawal as a means of identification.

Letters of Administration.—An instrument issued out of a court having jurisdiction, granting power to settle the estate of a person dying without leaving a will.

Letters Testamentary.—A court instrument granting power to the person named as executor in a will to carry out the provisions of the will.

Liabilities.—Debt owing by a person or firm; i.e., debts which they are liable to pay.

Lien.—(1.) A legal claim or hold on property.

The right possessed by a person who has actual or constructive possession of another person's goods or property to retain them if the owner is indebted to him.

(2) A document or bond of any kind pledging such security.

Life Estate.—An estate or interest held for the term of the life of the holder (called the Life Tenant), or of another person.

Limping Standard.—A term applied to the monetary system of a country, which, though nominally double standard, has suspended the free coinage of silver without definitely adopting the gold standard. France has such a standard.

Limitation, Statute of.—By limitation is meant the period of time prescribed by law at the end of which:

(1.) Title is presumed or confirmed and the ownership to property is established by uninterrupted possession during the prescribed period.

(2.) No action at law or suit in equity can be maintained against a debtor.

Prescription does not avoid or cancel a debt, but only provides that no action can be maintained upon it after a given time following the last acknowledgment. This is not the case, however, in the Province of Quebec, where not only is legal action debarred by the Statute, but the debt is annulled, together with all rights and liens pertaining thereto. The length of the period varies in different countries. The following shows the times in which actions must be brought in the various Provinces of Canada:—

	Notes and Accounts	Judgments	Mortgages
British Columbia..	6 years	20 years	20 years
Saskatchewan....	6 "	12 "	12 "
Alberta..........	6 "	12 "	12 "
Manitoba........	6 "	10 "	10 "
Ontario..........	6 "	20 "	10 "
Quebec..........	5 "	30 "	30 "
New Brunswick...	6 "	20 "	20 "
Nova Scotia......	6 "	20 "	20 "
Prince Edward Is..	6 "	20 "	20 "
New York........	6 "	20 "	
England.........	6 "	20 "	

Liquid Assets.—The commodities and properties of an undertaking which can be realized upon with little or no loss of any kind. (See Assets.)

Lloyds.—An association of English underwriters of marine insurance, which also collects and distributes maritime intelligence through its agencies throughout the world. It issues Lloyds' Register, giving the rating of ships, etc.

Loco.—A term used in selling goods, signifying that the goods are to be delivered at the place of sale or the place where they are lying; i.e., actual local cost. There are four other terms used in this connection:—

Free on board (f.o.b.) is loco plus packing and cartage charges to railway car or vessel.

Cost of freight (c. & f.), f.o.b. plus freight.

Cost, freight and insurance (c.i.f.), cost and freight plus insurance.

Franco, cost, freight and insurance plus foreign import duty and all other charges incurred up to the delivery of the goods at destination.

Locum Tenens.—A person who acts as a deputy or substitute for another.

Lombard Street. A street in London largely occupied by banks. The name is also applied to the London money market.

London Clause.—The name given to a clause inserted in a bill of lading which relieves the vessel from the payment of dock charges, etc., on the cargo when landed in London, and imposes it on the shipper.

Long Dated Paper.—A foreign bill of exchange running for 60 days or more is usually known as a long dated bill.

Long Exchange.—The rate of exchange quoted for a foreign bill having over thirty days to run.

L.S.—An abbreviation of a Latin phrase meaning "place of the seal." It frequently takes the place of a seal or denotes where a seal should be affixed.

M

M	(Latin *mille*) Thousand, 1,000,
Mar. or Mch	March,
M/C	marginal credit,
m. d.	months after date,
mdse	merchandise,
Messrs.	gentlemen or sirs,
mfd	manufactured,
mfg	manufacturing,
mfr.	manufacturer,
mfst	manifest,
M/L	mortgage loan,
Mme	madam,
Mmes	mesdames,
mo.	month,
M.O.	money order,
Mr	master or mister,
Mrs	mistress,
M/S.	months after sight,
MS.	manuscript (plural MSS.),
mtg	mortgage.

Mail Remittance.—(See Foreign Postal Remittance.)

Maker.—The signer of a negotiable instrument such as a note.

Mala Fides.—"Bad faith," the opposite of "bona fides."

Mandamus.—A writ issued by a superior court to an inferior court or to an officer, commanding something to be done.

Marginal Credit.—A document authorizing the addressee to place a sum of money at the disposal of a person who must first follow the instructions in the margin of the authority. A letter of credit is a form of marginal credit.

Marked Cheque.—(See Certified Cheque.)

Market Rate of Discount.—Also known as open market rate or private rate in contradistinction to the official or bank rate. Rate charged by bankers, bill brokers and others for discounting bills of exchange, etc. It is usually lower than the bank rate, owing to competition.

Material Alteration.—(See Alteration.)

Maturity. The date on which a negotiable instrument or book account becomes due. The term is of frequent use in foreign exchange. When it is said that the maturities of a certain month are large, it means that an unusualy number of bills fall due that month. (Sections 42 to 46 B.F.A.)

Merchandise.—Goods purchased to be sold again.

Metric System.—This system of weights and measures is now used by almost every civilized nation, with the exception of Great Britain, the United States, Canada, Australia and South Africa. The system is so called because the metre or unit of measure is taken as the base from which the units of surface, capacity and weight are derived. The several units are as follows:

Metre,	unit of	lineal measure;
Are,	"	surface "
Stére,	"	cubic "
Litre,	"	capacity,
Gramme,	"	weight.

The metric system is a decimal one and a table is easily constructed, Greek prefixes being used to designate multiples of the unit and Latin prefixes to designate sub-multiples or fractions of the unit, thus:—

$$\text{Latin}\quad \left.\begin{array}{ll}\text{Milli} & \frac{1}{1000}\\ \text{Centi} & \frac{1}{100}\\ \text{Deci} & \frac{1}{10}\end{array}\right\}\ \text{For decimal } \textit{parts} \text{ of the unit;}$$

Greek	Deca	10	times	For decimal *multiples* of the unit.
	Hecto	100	"	
	Kilo	1,000	"	
	Myria	10,000	"	

The metric system of weight with its unit gram or gramme, is much used in weighing gold and silver coin and bullion, and should therefore be studied by the exchange student.

10 milligrammes (mg.)	= 1 centigramme (cg.).
10 centigrammes	= 1 decigramme (dg.).
10 decigrammes	= 1 gramme (g. or gr.) 15.43234874 troy grains.
10 grammes	= 1 dekagramme (Dg.).
10 dekagrammes	= 1 hectogramme (Hg.).
10 hectogrammes	= 1 kilogramme (Kg.) 2.204621 lbs. avoirdupois.

1 oz. troy = 31.103496 grammes or nearly $31\frac{1}{10}$ grammes.
1 kilogram = 32.1507265 ounces " $32\frac{3}{20}$ ounces.

Mille.—One thousand. A premium of one per mille (1‰) is one on every thousand equivalent to 1/10 of one per cent. (1/10 of 1%). On the Continent of Europe per mille and its sign (‰) is frequently used, and must not be confused with the per cent. sign (%).

Milling.—The corrugated or milled edge of gold and silver coin; the raised edge protects the design and as the coins rest upon it they may be arranged in steady piles. It also tends to prevent reduction by clipping or filing.

Mint.—A place where bullion is made into coins and issued under authority of a Government.

Mint Gold.—United States standard gold .900 fine, also called "Eagles." (See Standard Gold.) This term would apply also to Canadian gold, which is of the same degree of fineness (.900).

Mint Par.—The value of the monetary unit of one country expressed in terms of the monetary unit of another country, which uses the same metal as a standard of value, though the degree of fineness need not be the same. The mint par is arrived at by dividing the number of grains of fine gold in the one coin into the number contained in the other. The sovereign, for instance, contains 113.001597 grains of fine gold, and the Cana-

dian ten dollar gold piece 23.22 grains of fine gold to the dollar. The latter therefore, is worth in shillings

$$\frac{23.22 \times 20}{113.0016} = 4s.\ 1.316d.$$

Mint Price of Bullion. The price at which gold or silver bullion is exchanged for coin at free mints. The British Mint pays £3. 17s. 10½d. for standard gold (11/12 fine) and delivers the coin two weeks after receipt of the gold. The Bank of England pays £3. 17s. 9d. on delivery, the deduction of a penny halfpenny or demurrage, as it is called, represents 20 days' interest at 3%. The United States Mint pays $800 for 43 oz. (9/10) fine) and pays for it a few days after purchase.

Mint Remedy.—The extent to which coins may be worn or abraded, and yet be redeemed in full. A sovereign weighs 123.27447 grains, and the least current weight at which it can be accepted as legal tender is 122.500 grains, the difference being a little over 5/8 of 1%. The Bank of England, however, rarely delivers sovereigns weighing less than 256.20 oz. to the 1,000 sovereigns, or a remedy of about 3 grains per sovereign.

The term mint remedy is also applied to the amount of variation from the standard weight of fineness allowed in the case of newly minted coins. The British Mint does not issue a new sovereign of less weight than 123.07445 grains or of greater weight than 123.47445, the remedy is thus 1/5 of a grain either way. On the Continent, the term used is **Tolerance.**

The least current weight at which a ten dollar piece will be accepted under the Canadian Currency Act is 256.71 grains (258.—256.71 = 1.29 grain, or half of one per cent.). The Canadian Mint does not issue a ten dollar piece less than 257.60 grain in weight.

Monetary Standard.—The standard of value established by law as the basis for the money of a country. Gold is now practically the standard of the world, for not only do the double standard countries (q.v.) restrict the coinage of silver, in order to keep their silver money at a constant ratio to gold, but the silver standard countries are forced to use gold as a basis of their international exchange transactions. (See Currency.)

Monetary Unit.—The basis of a monetary system. The pound sterling is the monetary unit of Great Britain, and the gold dollar the monetary unit of Canada and the United States.

Money. Any token (made of a certain material) that by law is recognized as a common medium of exchange and measure of value in trade, and therefore passes freely in the community in final discharge of debts and in full payment of commodities. It must have intrinsic value or be instantly interchangeable with something that has. Money best serves its purpose when it is:

1. Accepted freely by the people,
2. Easily carried about and not bulky,
3. Easily recognized,
4. Confined to a few forms and materials,
5. Easily divisible without loss in value,
6. Easily stored and comparatively imperishable,
7. Constant in value, as otherwise loss may be incurred in accepting it.

Gold and silver, especially the former, meet all these conditions fairly well, and have been universally adopted as the money standards. Money must not be confounded with wealth.

Money of Account.—The monetary system used by the people of a country to keep their accounts and reckon their transactions. It has been described as the money in which people do their thinking.

Money Market.—A term applied generally to the business of lending money in London, New York, or other large financial centres. As in other markets, the supply of and demand for a commodity are the factors which determine prices, that is, in this case, the rates of interest charged. If the demand is large and the supply small, rates are high, and the reverse if the supply is large and the demand small.

Monometallism.—A monetary system under which the currency of a country is based on a single metal, either gold or silver. England and Canada have gold monometallism. (See Double Standard, Bimetallism.)

Moratorium.—A Latin word signifying delay. An extension of time for the payment of debts allowed under exceptional circumstances by the Government of a country. During the Franco-German war of 1870, a French moratory law was passed extending the maturity of bills for three months. In

July and August, 1914, a number of countries declared moratory laws on account of the great European war which began that year.

Mortgage.—An instrument under seal pledging certain property, real or personal, as security for the payment of a debt.

Mortgagee.—The person to whom the debt is owing, and in whose favor the mortgage is drawn.

Mortgagor.—The debtor in a mortgage; i.e., the one who has given the mortgage as security.

Movable Rate of Exchange.—(See Fixed Rate of Exchange.)

Mutual Life Insurance Company.—A company in which there are no shareholders, the profits belonging entirely to the insured, and divided among them either by cash payments, by reduction of premiums, or by additions, made periodically, to the amounts of the policies.

N

n a.	no advice, no account,
N.A.	non acceptance,
N.B.	(Latin *nota bene*) take notice,
n e.	no effects,
N F.	no funds,
N N.	not to be noted,
No.	number, #,
N O.	no orders,
Nov.	November,
N.P.	notary public,
N.P.F.	not provided for,
N.S	new style, (q.v.) in reference to calendar. (See O.S.).
N.S.F	not sufficient funds.

National Debt.—The funded public debt of a country, arising from the borrowing by the Government for national expenditure.

Negotiable Instrument.—Bill of exchange, cheque, note or any document conveying value that is transferable by endorsement or delivery. Lord Blackburn's definition is as follows: "When

an instrument is by the custom of trade transferable like cash on delivery, and is also capable of being sued upon by the person holding it *pro tempore*, then it is entitled to the name of negotiable instrument, and the property in it passes to a *bona fide* transferee for value, though the transfer may not have taken place in market overt."

Net.—After all charges and allowances have been deducted; e.g., **Net Profit** is the profit remaining after all charges for administration have been provided for.

Net Gain.—(See Net Profit.)

Net Loss.—Excess of all losses over all gains.

Net Proceeds.—The amount remaining from sales after all charges relating thereto have been deducted.

New Style.—The Georgian calendar or present method of measuring time. The Julian or Old Style as it is called, is now only used in Russia, and is thirteen days behind the Gregorian or ordinary calendar. The date is generally written in Russian January 1-14, the second date being the new style. In dealing with Russian bills of exchange, the difference should be borne in mind.

New York Exchange.—Although Canada and the United States are countries foreign to each other, their exchange, on account of the similarity in their monetary systems, partakes of the nature of inland exchange rather than that of foreign exchange, and it follows that the difference in value between the two moneys is quoted as a simple percentage. The volume of business transacted between the two countries is very large, and on this account there is an active market throughout Canada for New York funds. In addition to this, as New York is the financial centre of the continent, all foreign exchange rates throughout Canada and the United States are based on New York quotations. It must always be remembered, however, that Canadian quotations will differ from the original New York quotations to the extent of the discount or premium on New York funds. If New York funds are quoted at par in Montreal, the quotation for exchange will be practically the same in both countries, as the transfer of funds between Canada and New York, theoretically necessary to carry out the trans-

action, can be made without gain or loss. If New York funds, however, are at a discount or premium, the quotation is lower or higher accordingly.

Non-Feasance.—Not doing; the non-performance of an act which should be done.

Noting a Bill.—When a draft or other instrument has been dishonoured by non-acceptance or non-payment, a note to that effect is endorsed on the bill, after which it may be formally protested, and the endorsers and other obligants notified of their continued liability. (Sections 118, 119 B.E.A.)

Not Negotiable.—(A danger signal but not a prohibition.) The addition of these words to a draft, cheque, etc., limits the rights of the holder, as it destroys the negotiable character of the instrument, though in no way prohibiting its transfer. It may pass from hand to hand just as freely as though the words were absent, but, if there is any defect in the title, each holder takes it, subject to the same defect. Such instruments are best avoided in business.

O

o/a................on account,
Oct................October,
O/d................overdraft,
O/D................on demand,
O.K................all correct (Orl Korrect),
O.N................own notes,
%................(Latin: *Per centum*) by the hundred,
o/oo................(Latin: *Per mille*) by the thousand,
O/s, O/sg...........outstanding,
O.S................old style.

On Demand.—(See Demand.)

One Name Paper.—Single name paper. Paper without endorsement. (See Double Name.)

Open Cheque.—A cheque not crossed is generally so called. (See Crossed Cheque.)

Open Credit.—(1) A letter which contains an unconditional request to pay money to another person.

(2) A credit given by a bank which may be drawn against without pledging security is also called an open or free credit.

Open Market Rate.—(See Market Rate.)

Open Policy.—A policy of marine insurance on which the value of the interest assured is not stated until it becomes insurable.

A form of insurance policy covering for a specified period all goods shipped or received. As a risk arises through receipt or shipment, it is endorsed on the policy.

Order.—A negotiable instrument drawn "to order" may be transferred by the payee to another person by endorsing and delivering it. (Section 60 B.E.A.)

Original Bill.—A bill which has been drawn and discounted without endorsement.

Outlawed.—(See Limitations, Statute of.)

Overdraft.—Thus, if we deposit in a bank $2,000.00 and issue cheques against the account for $2,500.00, our books will show a bank overdraft (deficiency in the account) of $500.00.

Overdraw.—To overdraw is to draw out more than we put in and have to our credit.

P

p.	page,
P/A.	power of attorney,
payt., pmt. or pay't.	payment,
P.B	pass book, purchase book,
p c.	price current,
P.C	(Latin *per centum*) by the hundred
pd.	paid,
per an	by the year,
per pro	per procuration,
pkg	package,
P. & L.	profit and loss,
pm.	premium,
P.N	postal note,

P.O. . . . . postal order, post office,
P.O.D . . . . pay on delivery,
P.O.O. . . . . post office order,
pop . . . . population,
pp . . . . pages,
P.P. pp . . . . per procuration,
pro . . . . for,
pro . . . . proceeds,
prop'r . . . . proprietor,
pro tem . . . . (Latin *pro tempore*) for the time being,
prox . . . . (Latin *proximo*) next,
P.S. . . . . (Latin *postscriptum*) postcript,
pub . . . . publisher.

Paper.—Commercial instruments generally; such as, cheques, drafts, notes, etc. A piece of paper is a single promissory note or bill of exchange.

Paper Basis.—When paper currency is made legal tender without provision for its redemption, the currency is said to be on a paper basis. Its value depends entirely on the credit of the Government issuing it and the amount issued.

Par.—A state of equality. Neither at a premium nor at a discount. **Mint Par:** The value of the metal unit of one country expressed in terms of that of another country having the same standard of value.

Paramount Title.—In real property law, denotes a superior or better title; in other words, the title which would prevail when dispute as to its ownership arose.

Pari Passu.—At par; on an equal footing.

Parity.—When applied to the price of a stock or a commodity means a price which is its equivalent when quoted in a different market. For instance, the London price of a stock exceeds the New York price of the same stock by about 2½ or 3 per cent. after taking into consideration the exchange rate and the London method of quoting American stocks ($5.00 to the pound). With a cable rate of 487½ the London parity of New York stock at 68 would be 69.75.

$$\text{N.Y. parity} = \frac{\text{London parity} \times \text{Rate of Exch.}}{5} = \frac{69.74 \times 487\frac{1}{2}}{5} = 68.$$

$$\text{London parity} = \frac{\text{New York parity} \times 5}{\text{Rate of Exchange}} = \frac{68 \times 5}{487\frac{1}{2}} = 69.74.$$

It will sometimes shorten the calculation to multiply or divide by 2/10 instead of by 5.

In commodities the prices at two different centres are at parity when the difference represents only the actual cost of transportation, etc.

Par of Exchange.—The par of exchange or mint par as it is sometimes called, is the fixed intrinsic value of the monetary unit of one country expressed in terms of the currency of another country using the same metal as its standard of value. Between a gold standard country and a silver standard country there can exist no par of exchange, for the reason that the value of the silver in relation to gold is constantly fluctuating.

The par of exchange between two countries is based on the amount of pure metal contained in the respective unit. For instance, a sovereign contains 113.0016 grains of pure gold, and a dollar contains 23.22 grains of pure gold.

One pound sterling equals $\frac{113.0016}{23.22} = \$4.86656$

One dollar equals $\frac{23.22 \times 240}{113.0016} = 49.316$ pence.

When a sterling draft can be purchased for $4.86⅔ per pound exchange is at par; if more is paid, exchange is above par; and if less is paid, exchange is below par.

Particular Average.—The method of apportioning loss to a ship or cargo which is not incurred for the benefit of all parties, or which has arisen through an accident. Such loss remains where it falls and is borne by the owner of the ship or cargo, or by the underwriters, if insured. The method of "general average" is employed when a sacrifice of property is made for the general benefit of the ship or cargo, and all interested contribute pro rata for the loss. For instance, when part of a cargo is thrown overboard (or jettisoned) in order to lighten the ship and thus save her, the loss is divided proportionately between the ship owner and the freight owners, including the one who owns the jettisoned freight.

Parting.—The separation from gold bullion of any silver which it may contain so that the two metals may be obtained in the form of separate bars.

Partnership.—Partnership is the relation which subsists between persons carrying on a business in common with a view of profit.

Party Wall.—A wall common to two adjoining buildings.

Par Value.—The nominal value. In commercial paper or shares of stock, this will be the face value as written or printed thereon. A company may issue shares of $100.00 each. This is the par value, though the shares may have a market value above (at a premium) or below (at a discount).

Payee.—The person to whom a negotiable instrument is made payable. (Section 19 B.E.A.)

Payer.—The person by whom a negotiable instrument is paid.

Payment for Honour.—Payment of a dishonoured bill by a party other than the drawee; the purpose is to save the honour of the drawer or any other party liable thereon. (See In Case of Need.) (Section 153 B.E.A.)

Payment Supra Protest.—Payment for honour after protest.

Per.—Through or by. It is a Latin term. We speak of a price per yard, wages per hour or per day, etc.

Per Annum.—By the year.

Per Cent.—By the hundred.

Percentage.—A part expressed in terms of one hundred. Thus 34 per cent. (%) is 34/100, thirty-four parts out of 100, which represents the whole.

Per Diem.—By the day.

Per Mille.—Per thousand. Often written ‰.

Per Procuration.—By power of attorney, abbreviated in signing to "per pro" or "p.p." (Sections 4, 51, 52, B.E.A.) (See Pro Procuration.)

Personal Property.—Property that can be moved about as distinguished from Real Property. The right or interest which a person has in things personal. Things personal are things movable, which may accompany the owner's person wherever he may go. They are of two kinds, **Corporeal** and **Incorporeal.** Corporeal for such property is **Choses in possession** or chattels. Incor-

poreal personal property includes all rights, which by being realized and enforced, give us the control of material things. To this class belong **choses in action,** including book debts and debts due on written securities, such as notes, cheques and drafts, also rights of action for recovering damages for wrongs, etc.

"Pigs on Pork."—Bills drawn by a branch house on the parent office or vice versa: one name paper of the most dangerous kind.

Porterage.—(1) The charge made for the delivery of telegrams outside the free delivery radius.

(2) The charge made by banks for presenting drafts, etc., outside of their ordinary collection radius.

Post Dated.—A cheque or other negotiable instrument is said to be post dated when it bears a later date than the true date of issue. (Section 27 (d) B.E.A.)

Posted Rates.—The counter rate or rates quoted for small transactions in exchange. These are higher than the **actual rates** charged for large amounts.

Poste Restante.—A French phrase written upon letters signifying that it is to be held till called for at the general delivery of the posto ffice.

Power of Attorney.—A written instrument authorizing an agent to act for his principal in the matters specified in the instrument, which is signed by the principal. If the agent is to act in signing documents under seal, the power of attorney must itself be under seal.

Preference Shares.—A share in the capital of a joint stock company on which a stated dividend must be paid before the profits are available for dividends on the common shares. Preference shares sometimes carry other privileges.

Premises.—Things previously mentioned; houses, lands, etc.

Premium.—(1) The amount paid for securities or gold over and above their par or face value.

(2) Exchange is at a premium when it sells at more than the mint par and at a discount when it sells for less.

(3) The amount paid for a policy of insurance.

Prescription.—(See Limitation, Statute of.)

Presentation or Presentment.—The act of presenting a bill of exchange for acceptance or a note or accepted draft for payment. (Sections 75 to 94 B.E.A.)

Present Value.—The value at the present moment of a note or sum of money which is not payable until a future date. To ascertain this value, discount must be deducted from the maturity value for the time that has to elapse before the sum becomes payable.

Pressure on the Money Market.—Signifies that, owing to high rates for money, unfavorable rates of exchange or other causes, there is a difficulty in obtaining money.

Presumption.—An inference of the law deduced from certain facts of the truth of some other fact or proposition.

Primarily Liable.—The party on whom the liability for the payment of a negotiable instrument first rests. The maker of a note or the acceptor of a draft is said to be primarily liable, while the endorser or drawer of a bill is secondarily liable (q.v.).

Prime Bills.—Foreign bills of exchange issued by and drawn on houses or banks of unquestionable standing.

Prime Cost.—The original or first cost of an article. This includes the cost of material and direct labour, but not factory expenses which are part of the cost of production.

Private Company.—A joint stock company, the number of shareholders in which (e.g., in Ontario) is limited to fifty exclusive of those in the employ of the company, the transfer of shares of which is restricted by charter and which cannot offer shares or bonds to the public.

Private Rate of Discount.—(See Market Rate.)

Probate of Will.—The proof of the will of a deceased person before a court or judge and the decision thereon of such court.

Proceeds.—The actual net amount received after a bill of exchange, etc., has been sold or a note discounted.

Pro Forma.—As a matter of form. A pro forma document is one drawn up as an approved model to be used as a guide.

Promissory Note.—A promissory note is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay on demand or at a fixed or determinable future time, a sum certain in money, to, or to the order of, a specified person. or to bearer. (Bills of Exchange Act, Sec. 176.)

Proof in Bankruptcy.—Evidence of the existence of a debt or liability which every creditor must give in bankruptcy or in the winding up of a joint stock company.

Pro Procuration.—A term used to show that the writer has power to transact business for his principal. Generally the power is limited to the doing of certain acts. (Section 51 B.E.A.) (See Per Procuration.)

Pro Rata.—At a certain rate. Proportionately.

Prospectus.—The document put forward by persons interested in a company or other corporation to induce the public to purchase shares, bonds or other securities offered by the corporation.

Protest.—The official procedure taken by a notary public or justice of the peace at the instance of the holder of a dishonoured paper in order to preserve the rights of such holder against the drawer and endorsers. Also applied to the document which is drawn up by the notary public or justice of the peace setting forth the fact of dishonour, protesting against the same, and giving due warning that drawer and endorsers will be held liable for such dishonour. (Sections 109 to 126 B.E.A.)

Proxy.—(1) A document authorizing one person to vote or act for another.

(2) The person so voting.

Public Company.—A joint stock company in which the transfer of shares is not restricted, the number of shareholders is not limited except by the number issued and which, by conforming to the regulations imposed, may offer its shares or securities to the public.

Puts and Calls—A "Put" is a contract, which secures to the holder the privilege of delivering to the person named therein a number of shares of stock at a specified price within a time limited, but without being obliged to deliver it. The holder of a "Put" is not required to pay interest. A "Call," on the other hand, is a contract securing to the holder the privilege of buying a

number of shares of stock at a specified price within a limited time, but without the obligation to purchase it. The holder of such must pay interest on the purchase price of the stocks to the day of delivery. While these privileges may not be recognized by the stock exchanges, they frequently come up in connection with matters of general knowledge, and should be understood. It will be seen that in each of these there is an option, a "Put" being where the money is given for the option of selling stock, and a "Call" where the party reserves to himself the right of buying, price and date being in both cases agreed upon, and the option money paid at the time of the agreement.

Q

qr.................... quarter,
qu.................... query,
q.v.................... (Latin *quod vide*) which see.

Qualified Acceptance.—An acceptance which in express terms varies the effect of the bill as drawn. The holder of a bill may refuse to take such an acceptance, and should in any case give immediate notice to prior holders or endorsers and to the drawer; failing such notice, the latter are all discharged from any liability on the bill. If a drawer or endorser on receipt of such notice dissents, he is not liable. (Sections 38, 83, 84, B.E.A.)

Qualified Endorsement.—An endorsement without recourse (q.v.).

Quarter Days.—The last day of each of the quarters of the year on which payments of rent, interest, etc., fall due in England. At these times large sums of money are withdrawn from the banks, but are subsequently returned. The quarter days are (1) Lady Day, March 25th; (2) Midsummer Day, June 24th; (3) Michaelmas Day, September 29th; (4) Christmas Day, December 25th.

Quasi.—As if; though analagous to. Quasi corporations, for instance, are bodies like corporations, and yet are not strictly corporations in the legal sense.

Quid Pro Quo. One thing for another. A mutual concession in business between parties.

Quit Claim Deed.—Form of deed in the nature of a release.

Quotation. Published market price of exchange, securities or commodities.

R

R . . . . rupee, Rs. rupees, Rx. 10 rupees,
R A . . . . refer to acceptor,
R.A.P. . . . . rupees, annas, pice,
R D. . . . . refer to drawer,
recpt . . . . receipt,
reg., reg'd. . . . . registered,
rev. a/c. . . . . revenue account.

Rate of Exchange.—The amount which will be given in the currency of one country for a fixed sum or unit in the currency of another country; the rate or price varies from day to day. In domestic or inland exchange the variations are effected by means of a discount or premium on the amount sold. (See Course of Exchange.)

Ratio.—A term used to express the relation between the value of gold and the value of silver. The United States standard ratio of 15.988:1 means that one ounce of gold is counted as worth nearly sixteen ounces of silver. The standard or legal ratio must not be confused with the actual or market ratio of gold and silver, which is found by dividing the current market price of pure silver into $20.672 (the value of an ounce of pure gold); for example, when silver is worth 59 cents per ounce the ratio is 35.1 (20.672÷.59).

Real Money.—Actual gold in which values are measured. **Representative money** such as bank notes, etc., is the promise to pay real money on demand and is used to augment the supply of currency and on account of its greater convenience.

Real Property.—That which is fixed or immovable and includes also all buildings erected or things growing on it together with that which is beneath or above the surface.

The right or interest one may have in things real, which include land and whatever is permanently affixed to land, either by nature or the hand of man.

Rebate Rate.—The rate per cent. at which documentary bills of exchange will be rebated, that is, the rate at which discounts will be allowed on the time which the bill has still to run, if the bill is paid by the acceptor before maturity in order to

obtain the bill of lading. In London, bills are usually rebated at a half per cent. above the short deposit rate (q.v.) which in its turn is generally 1½% below the Bank of England rate.

Receiver.—A person appointed to administer the estate of a corporation in the process of dissolution and to distribute the proceeds among those entitled thereto.

Recourse.—The right of a holder of a bill of exchange to demand payment of the bill from some other person than the acceptor. (Section 135 B.E.A.)

Re-Discount.—The resale of a bill of exchange or promissory note. The bill wallet of an English bank forms one of its most readily available reserves, as it can re-discount or sell its bills in the market at any time in order to meet its cash requirements.

Re-Exchange.—When a bill of exchange is dishonoured by the drawee and paid for the honour of the drawer by some other person, the person paying it draws upon the latter for the amount together with the protest fees, exchange and other expenses. The operation is called re-exchange. (Section 136, B.E.A.)

Registered Bonds.—Bonds which are registered, in the name of the holder, in the books of the issuer, this being as a protection against loss or theft.

Registration.—In all transactions affecting lands, such as sales and mortgages, the deeds and other instruments should be promptly registered in the local Registry Office. Unregistered instruments are good and effectual between the principals themselves, but not as against an innocent third party, who has in the meantime registered his title, even though the latter transaction may be fraudulent on the part of the vendor or mortgagor.

Reichsbank.—The Imperial Bank of Germany.

Reichsmark.—Commonly called a mark, the German monetary unit, worth 23.8 cents.

Re-Insure.—To insure a second time. When an insurance company accepts a large risk it is usual to re-insure part of it with other companies. This does not affect the original liability to the person insured.

Release.—An instrument in the general form of a deed which in distinct terms remits a claim.

Remedy.—(See Mint Remedy.)

Remittance.—Money or its equivalent, forwarded from one place to another. Bank remittances to correspondents for credit or collection usually consist of cheques and drafts.

Renewal.—To renew a note is to give another in place thereof when due instead of making payments, the process being called renewal.

Rentes.—French or other European government bonds. They correspond to British Consols.

Rent.—The amount paid for the use of land or premises owned by another.

Repleven.—An action to cover the possession of goods wrongfully taken and retained.

Rescission.—The annulling or dissolution of contracts by mutual consent or by one party.

Reserve.—That portion of a bank's quick assets (cash reserve) held uninvested in the form of specie and legal tenders. The second line of reserve consists of balances carried in foreign banks, cheques on other banks and call loans, while stocks and bonds held as investments may be called the third line. The word "Reserve" is frequently used as synonymous with "Rest" (q.v.) but this is very confusing and the use of the word in this sense should be abandoned.

In a business concern this term, when used without qualification, indicates undivided profits retained in the business as working capital or invested pending requirements. In this sense it is frequently used as synonymous with "Reserve Fund." When thus used, it indicates a general reserve which may be distributed when desired, but more usually retained against contingencies. It is generally used, however, to indicate a special reserve; such as, provision for depreciation or bad debts, the title being qualified to indicate the purpose; e.g., "Reserve for depreciation," or "Reserve for bad debts." In the former case the account appears among the liabilities in a balance sheet and in the latter the amount is usually deducted from the book value of the asset to which it specifically refers.

Reserve Fund.—While the word "fund" would indicate an investment, the term "Reserve Fund" is more often used, as already explained, to indicate liability to shareholders for profits held back from distribution and retained in the business, but without being kept in an ear-marked fund. (See Reserve.)

Resources.—(See Assets.)

Residuary Devisee.—A person named in a will who is entitled to all the real property remaining after the other devisees have been paid.

Residuary Legatee.—Person named in a will who is entitled to the personal property after the payment of the other legacies specifically mentioned in the will.

Respondentia.—A loan made on the security of a ship's cargo. As in the case of a bottomry-bond (q.v.) the repayment of the loan is dependent on the safe arrival of the ship at its destination. As this condition involves additional and unusual risk, such contracts are excepted from the ordinary laws of usuary.

Restrictive Endorsement.—An endorsement placed on a bill or promissory note which restricts its further negotiability; for instance, "Pay to Brown only." (Section 68 B.E.A.)

Retainer.—A contract under which a counsel or solicitor is engaged not to serve the opposing party in a particular lawsuit.

Retire a Bill.—To take up a bill or note.

Returns.—(1) Periodical statements and reports of an official nature.
(2) Cheques returned through the clearing house unpaid.

Reversion.—A right to property which will fall into possession after the expiration of a certain period, or on the happening of a certain event.

Revocation.—The recall of power or authority conferred; e.g., the revocation of a Power of Attorney.

Rights.—This indicates privileges, and generally refers to privileges due holders of shares of capital stock, etc., in the event of a new issue. For instance, we will assume that a new issue is made of shares of C.P.R. stock at $175 per share, the market price on the exchange at the time being $263 per share, and that the terms of the issue give present shareholders the right

to purchase one share for every four shares they now hold. This privilege is called a Right. It will be seen that this Right represents $22 on each share held, and should a shareholder not desire to make the purchase, but is willing to sell the shares he has, he would demand not only the market price of the shares themselves, but the price or value of his Rights in addition. Assuming that he was willing to accept $20 per share for his Rights, he would ask $283 for each share he sold, including Rights. The value of the Rights is considered as separate from the value of the stock itself. He may sell his Rights without his stock, and if the purchaser can buy them slightly below their actual value, he will have little difficulty in disposing of his Rights, and thus receiving the benefit due him without having to increase his investment. These Rights are sometimes described as premiums on issue of new stock, and the possibility will be seen of receiving cash for these premiums or Rights without shareholders actually taking up the stock of the new issue themselves.

Rising Exchange.—(See Falling Exchange.)

S

S.	silver,
S.B.	special bargain, sub-branch, short bill, sales book,
S.C.	safe custody,
sec	secretary,
Sept. or Sep	September,
ship't	shipment,
shs.	shares,
SPA	sundry persons' account,
S.S.	special settlement, steamship,
st. dft	sight draft,
ster., stg	sterling,
st., stet	(Latin *stet*) let it stand,
stk	stock,
S.V.	surrender value,
supt	superintendent.

Saisie-arrêt.—(See Garnishee Order.)

Sans Frais.—Incur no expense. An instruction sometimes found on a foreign bill.

Sans Recours.—Without recourse (q.v.).

Scandinavian Union.—This monetary union consists of Norway, Sweden and Denmark. The common unit is krone or crown of 100 ores of a mint par value of 26.8 cents.

Schedule. A term much used in business to indicate a list of prices or of goods in inventory.

Scrip.—A provisional certificate of shares in a company, government loan, etc.

Second and Third Class Paper.—Bills endorsed or guaranteed by merchants or others whose commercial standing is not of the highest.

Secondarily Liable.—The person on whom rests the absolute requirement to pay a negotiable instrument is said to be **primarily liable.** All other obligants are liable only in case of his failure to do so, and are therefore said to be secondarily liable.

Seigniorage.—The difference between the cost of bullion and the value of the coin into which it is converted. In most countries there is no seigniorage or profit on coining gold, as the process adds no value to the metal. In the case of silver coins, however, there is considerable difference, and this seigniorage accrues to the Government.

Selling Rate.—The rate at which exchange is sold by a dealer; it is naturally higher than the rate at which he is willing to buy.

Set of Exchange.—A foreign bill of exchange drawn in duplicate or triplicate. The copies are numbered first or second of exchange, etc., and payment of any one copy extinguishes the set.

Set Off.—The claim which one party has against another who has a claim against him, also called a counter claim.

Settlement Day.—The fourth or last day of what is called "Settlement" on the London Stock Exchange, when all securities are delivered and all differences are paid or received. "Settlements" take place in London every fortnight.

Shipping Documents.—Invoice of goods shipped, the policy insuring them while in transit and the complete set of the bills of lading.

Ship's Papers.—Ship's papers are the documents which the captain holds to prove the identity of the ship, the cargo it carries, its destination, etc.

Short Bills.—A bill of exchange running thirty days or less.

Short Exchange.—Cheque rate. The rate of exchange at which a foreign bill, which is payable at eight days or less, is quoted.

Short of Stock.—Speculators are said to be "short of stock" when they have sold what they do not possess. Such are known as "bears."

Shut for Dividend.—An expression implying that the transfer books of joint stock corporations are closed to permit of the preparation and issue of dividend warrants.

Sight Bills.—Sterling bills drawn "at sight" are payable on demand, but those drawn so many days "after sight" require acceptance.

Silver Bullion.—Silver is quoted in London at so many pence per ounce of silver .925 fine (British Government standard). In the United States the price is given as cents per ounce for pure silver (1000 fine).

Silver Standard.—This standard exists in countries where it is enacted by law that silver shall be the measure of value. China and its dependencies and some countries in South America are exponents of this standard. The domestic trade of these countries is regulated by the bullion price of silver, but all outside transactions are based on gold and in the end the value of silver is thus regulated by these international transactions.

Single Name Paper.—Paper bearing only the name of the maker, also called **Straight Paper** or **One Name Paper.**

Single Standard.—Exists where either gold or silver (but not both) is by law the basis of value. (See Monometallism.)

Sinking Fund.—A fund for the purpose of redeeming an issue of bonds or indebtedness. It is formed by the investment of periodical payments of such an amount that the sum of the payments together with the accrued interest, will equal the amount of the debt at maturity.

Sinking Fund Bonds. Are bonds which are not payable on the annuity or instalment system, but payable at a definite future date and against which the sinking fund is accumulated to meet the amounts when due. The student of public finance will find a number of other terms applied in connection with bond issue. Most of these are self-explanatory, but all should be carefully understood before entering into transactions in which they are involved.

Sixties.—A colloquialism for sixty days sight bills.

Sola.—A bill of exchange of which only one copy is issued as distinct from a bill which is drawn in a set. (See Via.)

Sold Note.—(See Bought and Sold Note.)

Special Endorsement.—An endorsement upon a negotiable instrument stating the name of the person to whom it is transferred. It can then be negotiated only by his endorsement. (Section 67 B.E.A.)

Specie.—(1) In kind. (2) In coin. The name is generally applied to gold and silver coin in bulk.

Specie Payment.—Payment in coin or bullion.

Specie Points.—Specie points, or gold points as they are sometimes called, are the rates of exchange produced by buying gold in one country and selling it in another. The mint or theoretical par remains invariable in gold standard countries, and if the exporting and importing of gold could be effected without expense or loss of interest, the mint par in gold points between any two countries would be practically identical, but a shipment of gold involves heavy expenses for interest, freight, etc. These, when deducted from the mint par, give the **Import Gold Point** and when added to the mint par give the **Export Gold Point.** That is to say, when it costs more to buy sterling exchange in New York than it would to buy gold and ship it to London, the remitter naturally takes the cheaper method and **Exports** gold, but when on the other hand exchange is so freely offered in New York that the rate becomes abnormally low, a seller may find it cheaper to transfer his London balance by **Importing Gold.**

S.S.—Abbreviation of the Latin word *scilicet* meaning "to wit" (that is).

Stale Cheque.– A cheque that has not been presented for payment within a reasonable period. A person who takes such a cheque does so at his own risk. What constitutes a reasonable time is hard to define, and depends on circumstances. A cheque over a week old should be looked at askance. (Section 70 B.E.A.)

Standard.—As applied to money and exchange, means the measure or basis of value as established by the law of a country. Where gold alone or silver alone is the basis of value, the country has a single standard. Where both gold and silver are used in fixed proportion or ratio to each other, the country has a double or bimetallic standard. Where paper money alone is used, a country has no standard.

Standard Gold. –All transactions in gold with the Imperial Mint or the Bank of England are made on a basis of British standard gold, which is 11 parts pure gold and 1 part alloy or 916⅔ fine out of 1000. (See Mint Gold, Eagle.)

Standing Order. –It is an English custom to request a bank to make periodical payments for a customer such as for fire and life premiums, and other annual payments. These are called "standing orders."

Statute of Limitations.—(See Limitations, Statute of.)

Sterling Loan. The loan of sterling bills of exchange. The borrower of the bill gives a note with security and either remits the bill direct to London to discharge liability abroad, or else sells the bill in New York and obtains credit for the proceeds. When the bill matures he can either pay the dollar equivalent in cash at the current rate of the day, or else deliver a demand bill of exchange for the amount. Sterling loans are used when it is difficult to obtain money in New York in the usual way.

Stock. –Frequently used as though synonymous with shares, but there is a difference, as some company acts provide for the conversion of shares into stock. Shares have a specified par value each, but if the share capital is converted into stock, the holder of the stock may dispose of it in any odd amounts he may choose, which the holder of shares cannot do. (See also Debenture Stock.)

A corporation may have a capital stock not divided into shares of a specified par value.

Stockholder.—One who owns shares in a joint stock company or corporation, the capital of which is not divided into shares.

Stop Order.—An order in writing by a customer to his bank, requesting it to refuse payment of a cheque or bill of exchange when presented.

An expression signifying that a broker has orders to sell on the best terms he can if the price should go against the client and reach a named figure. For example, if C.P.R. shares are quoted at 180 and a "bull" holding shares sees the market weakening, he might give his broker a "stop order" at 175, which would mean that should the price fall to 175, the broker is to sell the shares at best price obtainable.

Stoppage in Transitu.—The right of an unpaid vendor to stop goods in transit before they pass into the control of a purchaser who has become insolvent. The conditions necessary to this right being exercised are (1) the consignee must be insolvent, (2) the goods must not have been delivered to him or his order, (3) the goods must be unpaid for, (4) they must be in transit.

Storage.—Charges made for use of a warehouse for storage purposes.

Subpœna.—A writ commanding the attendance of a person in court.

Subrogation.—Substitution of one person or thing in the place of another, particularly the substitution of one person in the place of another, as a creditor, with succession to all the rights of the latter.

Summons.—A writ directed to a sheriff or other officer requiring him to inform the person named that action has been commenced against him in the court from which the writ is issued, and that he is required to appear upon the day mentioned therein and answer the complaint in such action.

Surety.—One who has agreed with another to make himself responsible for the debt, default of misconduct of a third party. Similar to guarantee.

Surplus Money.—(See Floating Money.)

T

T.Q. . . . . *tel quel* rate,
treas. . . . . treasurer,
trf. . . . . transfer,
T/T. . . . . telegraphic transfer.

Talon.—A certificate attached to a bond entitling the holder of the bond to a new sheet of coupons, when the coupons previously issued have been paid. Used chiefly on the Continent.

Telegraphic Transfer.—(See Cable Transfers.)

Tel Quel Rate.—In exchange it means a rate calculated to correspond with the term of a bill and endorsed thereon, meaning that it applies to the bill "such as it is" and that the price is net, and includes all interest, commissions and other charges. A bill of exchange for £100 drawn in sterling in London on a Canadian customer with a *tel quel* rate of 4.86½ endorsed thereon, would mean that the acceptor would pay only $486.50 at maturity, no matter what the current rate of the day might be.

Tenants in Common.—Persons holding lands and tenements by several and distinct titles and not by a **Joint Title.**

Tender.—The offer of a sum of money in satisfaction of a debt or claim by producing and offering the exact amount to the creditor, and declaring a willingness to pay.

Term of a Bill.—The time for which a bill is drawn; as, "sixty days after sight."

Terms.—Conditions as to the time and kind of payment of a sale of goods or other property.

Time Draft.—A draft payable at a future date and not on demand. (Section 24 B.E.A.)

To Bearer.—An expression on a cheque signifying that it may be paid without identifying the payee.

Token Money.—That part of the money of a country which circulates not by reason of the intrinsic value of the metal it contains, but by reason of the legalized relation which it bears to the

standard monetary unit of the country. All standard gold coins are intrinsically worth the amounts named upon them, but the silver and copper coins are not, the bullion value of a silver coin being generally about half of its face value. The difference is called seigniorage (q.v.) and accrues to the government as a profit.

Tolerance.—(See Mint Remedy.)

Torrens System.—A system of land transfer introduced into Canada from Australia, and adopted exclusively in the Western Provinces and to a certain extent in Ontario. It is vastly superior to the old system of land transfer by means of deeds, obtaining in other parts of Canada. The Torrens system registers an indefeasible title to the land, not a deed which is only an evidence of ownership, which may be clouded or vitiated by latent defects and flaws.

Under the Torrens system no search is necessary. In case of purchasing land with a Torrens title, the purchaser has only to assure himself that the vendor is the actual owner, in other words, the only point enquired into are those affecting the single transfer in question. Once sold, the buyer is absolutely assured of his title to the land.

The registration is simple, no description of the land is necessary, all land being systematically numbered in the Registry Office. It is only necessary, therefore, to mention the number under which the property is registered.

Tort. A private wrong or injury other than that arising from the breach of a contract for which damages can be collected.

Trade Dollar.—A dollar coined by the United States to compete with the Mexican dollar in trade with China and the Far East. It had no legal status within the United States, and has been withdrawn from circulation; any still outstanding have only a bullion value of about fifty cents or less.

Trade Discount.—Discounts from a list price. By means of trade discounts wholesalers are able to vary the price to dealers without changing the list prices, merely varying the rates of discount which are made singly or in series.

Trade Mark.—Is a distinctive mark adopted by a person or firm to distinguish their goods from those of others. This trade mark is registered, which prevents others from adopting the same,

and thus protects special lines from encroachment. When disposed of with the other assets of the business, it may have a value in much the same way as have patent rights or goodwill.

Transferee.—The person to whom a negotiable instrument or any other document is transferred; the person who transfers it is called the **Transferer.**

Travellers' Cheques.—Travellers' cheques afford a convenient method of carrying funds when travelling, as they may be cashed practically anywhere, and are easily negotiated, as they provide a simple means of enabling the owner to identify himself. They are issued in denominations of even amounts, \$10, \$20, \$50 and \$100, with the equivalent amounts, which will be paid in the principal foreign countries stated on the face of each cheque.

Treasury Bills. Instruments of credit issued by governments and municipal corporations for sums of money borrowed for a short period. These are frequently resorted to during a period of high interest rates to postpone an issue of bonds for one or two years, when it is hoped money rates may be more favourable for long term bonds.

Triangular Operations in Gold.—This is an indirect method of shipping gold with the idea of sending it to some point where it can be used to buy cheaply exchange on some other point. One of the best known of the so-called triangular operations is that in which gold is shipped to Paris for the purpose of buying exchange on London. The succession of steps is as follows: The gold is shipped to Paris and exchange on London is purchased there with the proceeds. This exchange is then remitted to London for credit of the American bank that shipped the gold. The latter then draws its sterling draft on London against the balance so created.

Troy Weight.—Troy weight is used in Great Britain, Canada and the United States in all transactions pertaining to gold and silver coin and bullion:—

24 grains	=1 pennyweight (dwt.),
20 dwts.	=1 ounce (oz.),
12 oz.	=1 pound (lb.) troy.

True Exchange. -This is exchange in its most simple form, and requires at least three persons to operate a transaction. For instance, Brown in Montreal owes Smith in London £1,000; Jones in Bristol owes Brown £1,000; Brown sends Smith a document ordering Jones to pay £1,000 to Smith, and thus all indebtedness is discharged without loss.

Trust.—A term applied to large combinations of business concerns where several have been amalgamated into one large company.

Trust Deed.—A deed or disposition which conveys property not for the benefit or ownership of the party to whom conveyed, but for such purposes as are pointed out in the deed, e.g., a debtor conveying property to a trustee for payment of his debts.

Trustee.—The person to whom property is conveyed or bequeathed in trust for others, that it may be applied to the purposes directed by the person making the conveyance or bequest. This implies confidence that is reposed in the trustee.

Turnover.—In banking, the total of the debits or total of the credits of an account in a given period. In trade, the total sales within a given period, also the cost of the goods sold within a given period.

U

ult................. *ultimo.*

Ultimo.—Last month.

Ultra Vires.—Means beyond or outside the powers. If a company is organized to manufacture a certain line of goods, it would be *ultra vires* of that Company to undertake contracts which are not permitted in its charter. In the same way it is *ultra vires* of a Province to pass legislation that affects the Dominion as a whole. Such acts would be disallowed.

Under Rebate.—(See Rebate.)

Underwriter.—One who subscribes to a contract of indemnity, either of insurance against specified risks or against failure to obtain subscribers for a specified number of shares or for a specified amount of a bond issue or loan.

Upset Price.—The lowest price at which (in auction sales) a vendor is willing that his property shall be started and sold if no higher bids can be obtained.

Usance.—The term allowed by usage or trade custom for the currency of bills of exchange between any two countries, a relic of the days of sailing ships. The practice of a fixed usance is gradually being abandoned.

The length of the usance in different places varies from 14 days to six months after the date of the bill; the following are the principal usances with London:—

New York................60 days.
China, India and Japan..... 4 months.
Brazil.................... 3 months.

Usufruct.—The right of using for a given time something belonging to another person, but without diminishing or altering its substance. This right is similar to that possessed by a life-tenant.

V

v., vs..............versus, against,
viz.................namely,
vol.................volume.

Value Bill.—A draft drawn against a consignment of property such as a documentary bill or a bill drawn with securities attached.

Value on Account.—An expression sometimes used in drawing bills of exchange when they are for services rendered or when there is a balance remaining in favour of the drawer.

Valued Policy.—Policy of re-insurance on which the value of the insurance is stated. (See Open Policy.)

Value Received.—A term used in a negotiable instrument to indicate that it has been made for a consideration and not for accommodation, the acknowledgment of a *bona fide* transaction.

Vendee.—The party for whom a purchase is made, whether he himself or an agent acts as the purchaser.

Vendor.—A person on whose behalf a sale is made, whether he himself or an agent is the seller.

Vendor's Shares.—Shares which are taken by persons, who convert their business into joint stock companies, in payment for their property instead of cash.

Via.—(1) By the way of.
(2) When a bill of exchange is drawn in duplicate or triplicate each bill is called a "via," but if only one bill is drawn, it is called a "sola" (q.v.).

Vise.—An official endorsement on a pass-port or other document certifying that it is correct.

Voucher.—Any document or writing that is proof of the payment or receipt of money or of other transaction involving money or money's worth.

W

wt . . . . weight.

Waiver.—The renunciation of a right. A document given to a bank by a customer which waives his right to demand notice and protest on any bills, etc., held by the bank upon which he may be endorser. This can also be done specifically in the case of a negotiable note by the endorser writing "waiving demand notice and protest" and signing his name a second time underneath.

Warranty.—An agreement to hold oneself responsible for a certain thing if it does not turn out as represented. If given at the time of sale, no further consideration is necessary, but, if given afterwards, it will hold good only if some consideration was given therefor.

Watering Stock.—The act of increasing the face value of stocks or shares after making an equivalent increase in the value of the assets they represent.

Otherwise known as overcapitalization, means the increasing of the number of shares of an incorporated company without a corresponding increase in the value of the assets. This term is doubtless often misunderstood. There is a legitimate goodwill value attached to many concerns, and, if this goodwill is purchased at a legitimate valuation, it is not water-

ing stock if stock is issued in payment. The same is true of stock issued in payment of franchise or patent rights. The asset does not require to be tangible in order to have a legitimate value. It is when these or other assets are shown at an inflated valuation that we have the process of watering stock. The point to be considered, then, is not what the stock is given for merely, but the relationship that exists between the real value of the asset, whether it be property or services, and the value at which it is taken as a basis for the issue of stock.

Way Bill.—A document giving a list of goods shipped.

Wharfinger.—The owner of a wharf who maintains it for the purpose of receiving and shipping merchandise.

Wholesale.—The sale of the whole; i.e., the sale of goods in large quantities or unbroken packages.

Winding Up.—By winding up a company is meant the closing up of all the business transactions and finance, the realization of its property, payment of creditors so far as may be possible, and the distribution of any surplus among its shareholders.

While being wound up, a company is said to be in liquidation, but it does not necessarily follow that it is insolvent, since winding up is the only method by which a company can cease operations and close up its affairs.

With Exchange.—When these words are written on a draft, any charge for collection must be paid by the drawee in addition to the face amount of the draft, and this latter amount in full must be remitted the drawer. Must not be confounded with "In Exchange" (q.v.).

Without Prejudice.—Without detriment to any right or condition that previously existed. This expression is usually made use of in any letter offering to compromise a claim or litigation, thus reserving all rights, expressed or implied, to the writer in case the offer is rejected; in other words, his position remains exactly as it was before the letter was written. In giving a report on the financial standing, etc., of a customer to a correspondent, a banker invariably heads his letter "Confidential and without prejudice to the bank or the writer."

Without Recourse.—Words sometimes written by an endorser on a bill of exchange or promissory note, though the French phrase "*sans recours*" is more common. The person so signing does not assume any liability in the case of non-payment. The phrase is generally used when the endorser has no personal interest in the transaction and has acted only as agent.

Without Reserve.—A term indicating that when goods are offered for sale at auction, they will be sold absolutely to the highest bidder, and that neither the vendor nor his agent shall bid at the auction.

Writ.—A precept in writing issued from a court requiring the performance of a certain act, or giving the authority to do it.